Austria Sch 20 · Bahrain Din 0.650 · Belgium BFr 45 · Canada C$1.00 · Cyprus C£0.70 · Denmark DKr 8.00 · Egypt E£1.00 · Finland Fmk 6.50 · France FFr 6.00 · Germany DM 2.20 · Greece Dr 80 · Hong Kong HK$ 12 · India Rup 15 · Indonesia Rp 2500 · Israel IS 3.50 · Italy L 1500 · Japan Y550 · Jordan Fils 500 · Kuwait Fils 500 · Lebanon L 25.00 · Luxembourg LFr 45 · Malaysia Rm 4.75 · Mexico Pes 300 · Morocco Dh 6.00 · Netherlands Fl 2.75 · Norway NKr 7.00 · Philippines Pes 20 · Portugal Esc 90 · S. Arabia Rls 6.00 · Singapore S$ 4.10 · Spain Pta 125 · Sri Lanka Rup 30 · Sweden SKr 7.00 · Switzerland SFr 2.20 · Taiwan NT$ 65 · Tunisia Din 1.375 · Turkey L 350 · U.A.E. Dh 6.50 · U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,986 · Tuesday July 22 1986 · D 8523 B

Fresh earthquake fears jolt California, Page 3

World news

Madrid ministry hit by grenades

Suspected Basque terrorists attacked the Defence Ministry in Madrid with grenades and a car bomb, injuring eight people including an admiral.

The attacks set cars on fire and caused extensive damage, with the car bomb apparently being aimed at police as they arrived to investigate the firing of seven grenades. Two more car bombs were defused early.

It happened a day before parliament meets to vote Socialist Prime Minister Felipe Gonzales into office for a second term. Page 18

Explosion at OECD

A powerful car bomb exploded outside the Paris HQ of the Organisation for Economic Co-operation and Development (OECD), damaging the building but causing no serious casualties.

EC cash shortfall

The EEC will be $700m short of its funds under budget proposals for 1987, finance ministers were told in Brussels, setting the scene for further financial wrangling. Page 2

Moda'i resigns

Israeli Justice Minister Yitzhak Moda'i offered his resignation to Prime Minister Shimon Peres over remarks that upset the Prime Minister. Page 4

Scientist goes home

East German scientist Herbert Brassner, at the centre of a row over his alleged defection to the West, left his country's mission in Bonn, where he had been sheltering. An arrest warrant against him was dropped and he is returning home. Page 2

Attempt to stop poll

Malaysia's main opposition Democratic Action Party will seek an injunction today to halt next month's general election on the ground that insufficient notice was given for the nomination of candidates.

Clash over refugees

Violence broke out for the first time over the influx of Third World refugees to West Germany when gangs of West Berlin youths clashed with police. The city's deputy mayor asked Bonn to relieve Berlin's burden. Page 2

Dutch Labour choice

The Dutch opposition Labour Party chose former trade union chief Wim Kok to succeed its veteran leader Joop den Uyl, who resigned last week.

'Anti-nuclear' blaze

Fire caused $1.1m damage at a company involved in building a nuclear waste reprocessing plant at Wackersdorf in West Germany. Police suspect arson by anti-nuclear protesters.

Nicaraguan air crash

Fourteen civilians and eight military personnel died when a Nicaraguan air force helicopter crashed into a river, a defence official said in Managua.

Drug ring arrests

French police arrested the suspected leader of a ring supplying cocaine to show-business personalities and seized a quantity of the drug at his Versailles home. Two others were arrested with him.

Moscow allows visits

Moscow will permit Japanese to visit family graves visa-free on the northern islands of Habomai and Shikotan, which the Soviet Union has occupied since the end of the Second World War.

Plotters executed

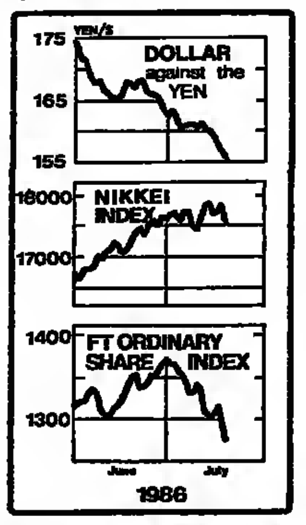
A firing squad in Guinea Bissau executed six convicted coup plotters who were condemned to death by a military court 10 days ago.

Business summary

$ drops; Tokyo sharply lower

DOLLAR fell in London to DM 2.1195 (DM 2.1295); SFr 1.7115 (SFr 1.7240); FFr 6.8525 (FFr 6.8950), and Y155 (Y156.35). On Bank of England figures, the dollar's index fell to 111.9 from 112.6. Page 31

TOKYO stocks were sharply lower. The Nikkei market average was down 319.09 at 17,522.22 – the third largest daily decline on record. Page 38



LONDON equities were lower, leaving the FT ordinary index 19.1 down at 1,276.3. Page 38

WALL STREET: The Dow Jones industrial average closed up 1.13 at 1,779.11. Page 38

STERLING fell in London to $1.4995 ($1.5035); DM 3.1775 (DM 3.2025); FFr 10.2750 (FFr 10.3650); SFr 2.5675 (SFr 2.5920), and Y232.50 (Y235). The pound's exchange-rate index fell 0.2 to 73.0. Page 31

GOLD rose $4.5 to $353.75 on the London bullion market. It also rose in Zurich to $354.25 from $347.70. In New York, the Comex august settlement was $355.60. Page 30

EEC is preparing trade complaints against Japan that will be taken as quickly as possible to the disputes procedure stage at the General Agreement on Tariffs and Trade in Geneva.

FORD, world's second largest motor company, said its talks about a stake in Alfa Romeo, Italian state-owned cars group, had reached a "conclusive phase." First indications confirmed the benefits of a link between the two companies. Page 19

CUMMINS ENGINE, leading independent US diesel producer, suffered a sharp setback in second-quarter earnings, with net income at $3.3m, or $32 a share, from $13.9m, or $1.46 a share. Sales amounted to $603.6m against $551m. Six-month profits were $7m, or 70 cents a share, against $43.3m, or $4.34 a share.

IMASCO, a Canadian tobacco products, financial services and retailing group, has made its first big asset disposal for C$2.5bn ($1.8bn) since it acquired Genstar this year.

UNION Bank of Switzerland reported "favourable results" for the first half with income well over levels in the same period last year. Page 19

BASF, the large West German chemicals group, is discussing the formation of a joint venture with Siemens, the electrical concern, to market data hardware. Page 19

ITALTEL, Italy's state-owned telecommunications equipment maker, more than doubled its first-half pretax profit to L36.7bn ($26m) Page 19

TRUSTEE SAVINGS Bank is to be floated in mid-September, eight months behind schedule because of delays caused by legal actions. Page 9

MERRILL LYNCH, the leading US securities firm, is recovering from its recent depressed performance with a 35 per cent rise in second-quarter net income to $91.1m. Page 19

AMERICAN CYANAMID, which has been reshaping its business, has reported a 48 per cent increase in second-quarter net earnings to $56.5m from $38m a year ago. Page 19

Chirac stands firm but avoids clash with Mitterrand

BY PAUL BETTS IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, yesterday sought to recapture the political initiative from President François Mitterrand by stating firmly that his Government would not be deflected from its long-term economic and social policies.

But Mr Chirac adopted a moderate tone at his first press cooference since becoming prime minister four months ago and made it clear be did not want to face at this stage a political confrontation with the Socialist President. He defended his record and suggested that its political cohabitation with *President Mitterrand would last* "as long as the constitution is respected."

Mr Chirac appeared to have buried the hatchet, for the time being at least, after last week's clash when President Mitterrand refused to sign the Government's decree to enable it to proceed with its financial and industrial privatisation programme. Instead, the Government has been forced to rush through its programme through parliament, delaying its launch by a few weeks. President Mitterrand's refusal caught Mr Chirac by surprise and threatened a possible crisis.

The privatisation draft legislation is to be adopted by the Cabinet tomorrow and then passed through parliament by the middle of August. Mr Chirac also confirmed that the Government would name or reconfirm tomorrow the chairman of some 24 major state-owned groups due to be privatised.

The French Government plans tomorrow to announce changes at the top of several state-owned financial and industrial groups as part of its privatisation programme. Page 18

Mr Chirac acknowledged that his Government had not managed to introduce its overall programme as quickly as it had hoped, but it had faced inevitable administrative delays as well as facing excessive obstruction from political opponents. However, be claimed an unprecedented number of reforms had already been achieved.

Mr Chirac claimed that the 1987 budget would for the first time see public expenditure contained in real terms to the level of the previous year. He said business and individual income taxes would be reduced, and that the Government wanted to reduce the overall fiscal burden by 1 per cent of gross domestic product a year. Tha ambitious long-term aim is to bring down the fiscal burden to 35 per cent of gross domestic product from its level of 45.6 per cent last year.

Mr Chirac firmly defended privatisation and rejected President Mitterrand's concerns that the programme could be damaging to French interests. He claimed that French interests were safeguarded and that it would be damaging to closet French industry and finance perpetually behind "a mound of paper." The Government plans to set a 15 per cent ceiling on foreign stakes.

On foreign issues, Mr Chirac said France intended to collaborate with Spain in the fight against terrorism. The French Government expelled last Saturday a suspected Basque terrorist and has warned it would expel other Basque terrorists.

Mr Chirac also disclosed be had received an invitation from Mr Mikhail Gorbachev to visit the Soviet Union. But the Prime Minister said he had decided to postpone the visit and many other visits because of his work load at home. "I've got too much work in France to go off on foreign pilgrimages," he said.

Accord sparks Eta violence, Page 18

Howe starts critical leg of South Africa mission

BY PAUL CHEESERIGHT IN BRUSSELS

SIR Geoffrey Howe, the British Foreign Secretary and current President of the European Community, leaves for Pretoria today on the second and most critical stage of his South Africa peace mission.

He goes against the background of renewed pressure in the Community for economic measures against South Africa if there is not a rapid start to dialogue between whites and blacks and the speedy release *of African National Congress leaders.*

Sir Geoffrey is to meet both President P. W. Botha and Mr Pik Botha, the foreign minister, tomorrow and will have a second session with President Botha at the end of his visit, on July 29.

The Foreign Secretary will also continue the process of consultation with black southern African leaders and is expected to visit Botswana and Lesotho. He may also have a second round of talks with President Kenneth Kaunda of Zambia, whom he met during his southern Africa visit this month.

Foreign ministers of the Community yesterday heard Sir Geoffrey's report of his recent visits to Zambia, Mozambique and to the US, where he discussed the increasingly difficult political and security situation in South Africa.

He said afterwards that be found it important "to have behind me a sense of common European purpose." But that sense of purpose appeared to be lacking in the ministerial discussions, where positions taken were broadly the same as those taken at last month's Community summit in The Hague.

Denmark, Ireland, the Netherlands and Spain were in the forefront of a move to take economic measures against the South African Government if the Howe mission failed in promoting internal South African dialogue.

Sir Geoffrey representing a divided Community and a government whose Prime Minister has spoken of the "immorality" of sanctions, acknowledged that time was running out.

"If the mission does not secure tangible progress, 1 would regard agreement on further measures as likely to be necessary," he said.

The mission, now moving into its second stage, sprang out of The Hague summit. Then Community leaders, unable to agree on sanctions against South Africa, postponed further consideration of the issue for three months while Sir Geoffrey set up another political attempt to induce change in South Africa.

That attempt was derided by black leaders in South Africa. However, yesterday, Mrs Lynda Chalker, the junior British Foreign Office minister, said "the opportunity is still very much open for him to see black South African leaders."

Sir Geoffrey said the Twelve had identified measures that could be taken against South Africa, which were now being studied. At The Hague, discussion centred on banning new investment in South Africa and stopping imports of coal and steel. There was also pressure for a ban on South African fruit and vegetable imports.

Continued on Page 18

Botha-Tutu meeting, Page 4; New move in games boycott, Page 9

THF pays Hanson £190m for Imperial's hotels, restaurants

BY MARTIN DICKSON IN LONDON

HANSON TRUST, the British-based industrial holding group, announced last night that it was selling the hotels and restaurants business of Imperial Group, the tobacco-to-hrewing company it took over three months ago, to Trusthouse Forte for about £190m ($285m).

It is the first hig disposal of Imperial assets since Hanson won a bitter £2.6bn takeover battle in April, but others are expected over the next few months.

Hanson is hoping to reach agreement, possibly by the end of this month on the sale of Golden Wonder, Imperial's crisps and snacks subsidiary, for about £95m to an unnamed buyer.

Lord Hanson, chairman of Hanson Trust, said yesterday be had also had numerous inquiries about Courage, Imperial's brewing division. He had no immediate plans to dispose of the business but would have to consider offers should there be any well in excess of Courage's asset hacking, which he put at £1.25bn to £1.3bn. "If someone was prepared to offer us a day-after-tomorrow's price today, we would look at it," be said.

However, he added that there were unlikely to be any discussions on Courage until after Britain's Monopolies and Mergers Commission had given its verdict on the proposed £1.6bn bid by Elders IXL, the Australian hrewing and agriculture group, for Allied-Lyons, the UK food and drinks business. That is due in early September. There has been speculation that Elders might be interested in Courage should it fail to win clearance to bid for Allied.

THF is huying 30 Anchor hotels, about 74 Imperial Inns restaurants (with several others in the pipeline), some 75 Happy Eater roadside restaurants and five Welcome Break motorway service stations.

The businesses had a combined turnover of £111m in the year to last October and pre-tax profits of £9m. Their net book value is about £113m.

It is THF's first big acquisition since Mr Rocco Forte took over as chief executive in 1983 from his father, Lord Forte. Mr Forte said yesterday that the acquisition would enable the group to widen considerably the base of its catering operations.

THF won the Imperial businesses against strong competition from rival leisure and brewing groups. These are believed to have included Scottish & Newcastle Breweries and Bass, while Sears Holdings and Allied-Lyons are thought to have submitted a proposal that would have divided the companies between them.

GM and Deere to merge diesel operations

By Terry Dodsworth in New York and Nick Garnett in London

GENERAL Motors and Deere of the US are combining their diesel engine manufacturing operations in a new jointly held international company that will rank among the world's leading diesel producers.

The deal, under discussion for about a year, will bring together the diesel operations of the Detroit Diesel Allison (DDA) Division of General Motors with Deere's engine plants in Waterloo, Iowa, and Sagan in eastern France. It will create a business with around 6,000 employees and annual sales of $1.5bn.

The new company will be one of the largest in its field, say analysts, although comparisons are difficult in the diesel-engine industry because of the variety of products. According to figures from Planning Research Systems, the research organisation, the joint venture companies accounted for around a third of US diesel output of 780,000 units in 1984, with DDA manufacturing 204,000 units and Deere, the largest US agricultural equipment company, making around 60,000.

Among US companies, the proposed company's sales will rank second to those of Cummins, which is the largest independent diesel engine producer and had revenues last year of $2.1bn generated by 19,600 employees. The other sizeable US competitors are Caterpillar, the construction equipment group, and J. I. Case, the agricultural equipment subsidiary of Tenneco.

Mr James McDonald, president of GM, and Mr Robert Hanson, chairman of Deere, said yesterday that the proposed joint venture, which still has to be approved by the federal anti-trust authorities, was "a very positive step" for the diesel-engine operations of both companies.

"The new organisation will allow us to provide a full line of products that will benefit from combined resources in both technology and economies of scale in manufacturing."

A broad range of diesel engine categories will be covered by the joint company in the 50 to 2,000 BHP range, with GM's contribution centred on units for light commercial and medium-size commercial vehicles, and Deere's on larger engines for agricultural and construction equipment. Half of DDA's output of 204,000 units last year were of its 6.2 litre engine.

According to Deere, the joint venture will entail an equal contribution of assets by both companies, made up from physical plant and cash.

Cossiga asks Craxi to seek Rome solution

BY ALAN FRIEDMAN IN ROME

PRESIDENT Francesco Cossiga last night asked Mr Bettino Craxi, the Socialist Party leader who resigned as Prime Minister more than three weeks ago, to try to form Italy's next government.

The mandate was given to Mr Craxi only 90 minutes after Mr Giulio Andreotti emerged from a meeting with President Cossiga at which he gave up his 10-day attempt to form a government. Mr Andreotti, the veteran Christian Democrat who was five times Prime Minister in the 1970s, failed to form a government in the face of solid opposition from Mr Craxi's Socialists, who refused to join a government headed by a Christian Democrat.

President Cossiga has come under unusual public criticism for having appointing Mr Andreotti as Prime Minister-designate on July 10. It had been expected then that Mr Craxi, who resigned on June 27 after nearly three years in office, would have been given the first chance to try to rebuild the five-party coalition of Christian Democrats, Socialists, Republicans, Liberals and Social Democrats.

Mr Craxi said last night that he hoped to fulfil his mandate and form a new government. "We need real political stability and an effective government which allows for continuing economic growth," he said after meeting the President. I hope to resolve this crisis rapidly."

Mr Craxi's task, coming after 25 days of paralysis, will not be easy. Mr Clemente Mastella, the Christian Democrat party spokesman, warned last night that Mr Craxi would "face the same difficulties which Mr Andreotti had to confront."

He said that Mr Craxi must now "accept one of our proposals, such as heading a governmeot with a specific time limit and accepting explicitly the principle of alternating prime ministers within the governing coalition."

Mr Mastella said that if Mr Craxi continued to refuse to accept an explicit limit on his tenure as Prime Minister, "we will be hack to square one."

The appointment of Mr Craxi as the new Prime Minister-designate therefore leaves the Rome political parties facing the same impasse as before. The hope is that Mr Craxi will be able to strike some sort of deal with the Christian Democrats.

It remains possible, however, that Italy could be plunged into early general elections, well ahead of the end of the present parliament in 1988, Politicians were last night talking about cobbling together an interim government that could last until the Socialist Party's congress, which is expected next spring.

Takeshita likely to succeed Nakasone

BY JUREK MARTIN IN LONDON AND YOKO SHIBATA IN TOKYO

MR NOBORU Takeshita, Japan's outgoing Finance Minister, yesterday became the probable successor to Mr Yasuhiro Nakasone as Prime Minister next year.

Mr Takeshita, Finance Minister for the past 3½ years, was yesterday nominated as secretary-general of Mr Nakasone's ruling Liberal Democratic Party (LDP).

However, both the other leading prime ministerial aspirants, Mr Shintaro Abe and Mr Kiichi Miyazawa, were also given prominent party and ministerial positions in a new government line-up to be presented for parliamentary approval today.

Mr Abe, now Foreign Minister, is to become chairman of the party's executive council, succeeding Mr Miyazawa, who is to take over from Mr Takeshita at the Finance Ministry. It was not known yesterday who would become the new Foreign Minister.

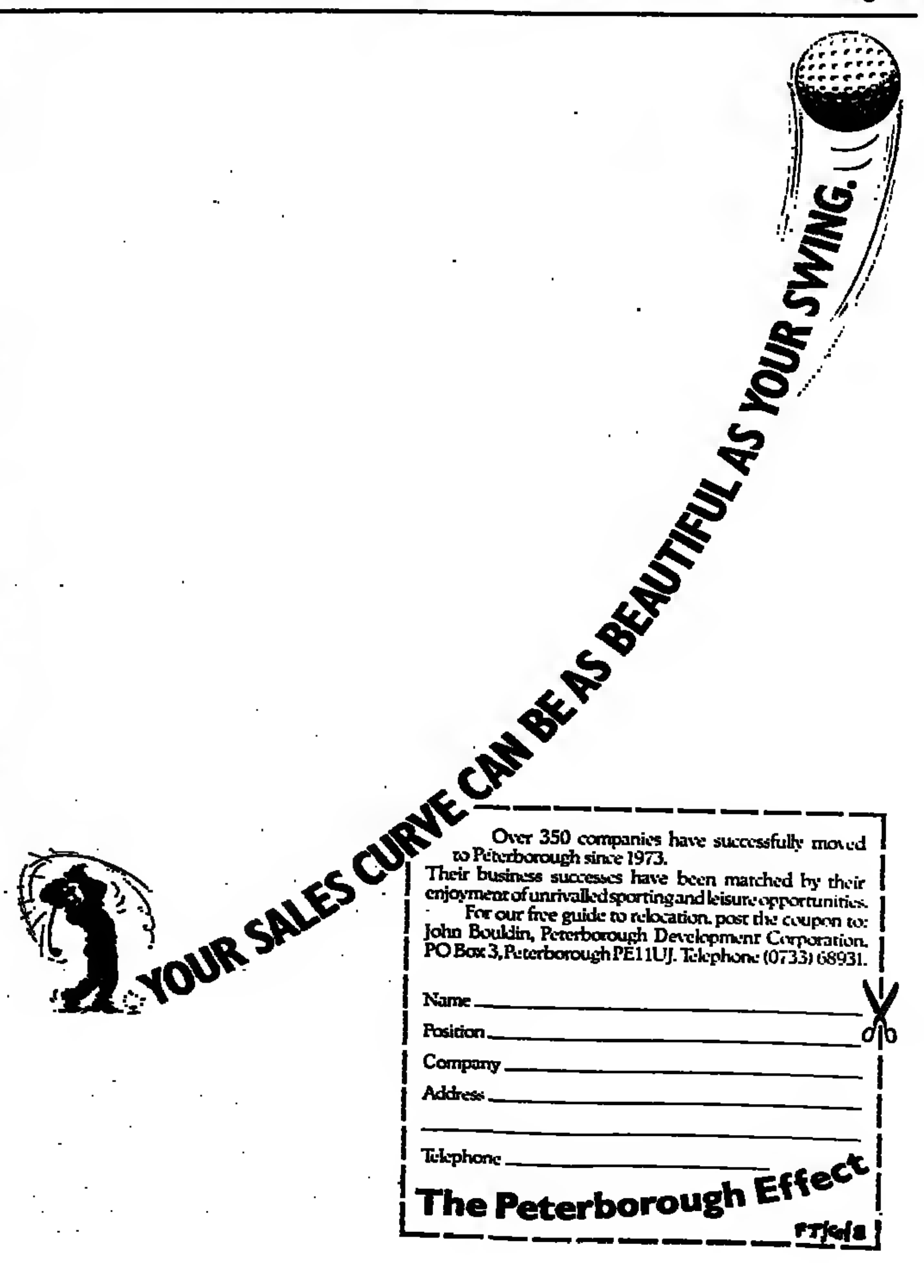
In the Japanese political hierarchy, the secretary generalship of the LDP is outranked only by that of the party presidency, which carries with it the prime ministership. No cabinet position commands the same weight.

In that context, it is significant that Mr Takeshita's move bas beeo orchestrated not so much by Mr Nakasone as by the man who is Mr Takeshita's mentor and predecessor as LDP secretary general.

He is Mr Shin Kanemaru, whose popularity inside the LDP has been increased by his role as a leading architect of the LDP's smashing election victory of July 6.

Mr Kanemaru, whose son is married to Mr Takeshita's daughter, will become Deputy Prime Minister

Continued on Page 18



CONTENTS

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Chirac to decide fate of French TV satellite plan

BY PAUL BETTS IN PARIS

THE FRENCH Government has raised serious doubts over the future of the country's ambitious FFr 3.7bn ($537m) direct television broadcasting satellite programme. Mr Jacques Chirac, the conservative Prime Minister, is expected to decide this week whether to go ahead with the costly and controversial project.

Mr Chirac has been coming under increasing pressure from a number of ministers, including Mr Gerard Longuet, the secretary of state for post and telecommunications to cancel or at least scale down the direct broadcast satellite (DBS) programme launched with great fanfare seven years ago. Critics have nicknamed the project "the Concorde of French broadcasting."

Mr Longuet has written to the prime minister expressing technical and financial doubts about the programme. He has also argued that France might be better off opting for a new generation of less powerful satellites which can carry more television channels than the present satellites in the French plan.

The first of the two French satellites, known as TDF-1, carrying four channels, was originally due to be launched by the Ariane European space rocket this autumn. However, the launch was postponed until next year following the recent failure of the Ariane rocket and the Government's decision to review the financing of the DBS programme.

The Government also announced it would cancel the concessions granted by the former Socialist administration to private groups to operate on the TDF-1 channels. Among these operators were Mr Robert Maxwell, the UK publisher, Mr Silvio Berlusconi, the Italian television magnate, and Mr Jerome Seydoux, the head of the French Chargeurs transport and communications group.

The DBS programme, launched under the presidency of Mr Giscard d'Estaing in 1979, was continued by the Socialists after they came to power in 1981. However, the project has been fiercely opposed by the French telecommunications authority, the Direction Génerale des Télecommunications Satellites. These can also carry television broadcasting whereas the TDF-1 satellites can be used only for television.

For its part, the state broadcasting agency, TDF, has been defending its programme as technologically and commercially viable in the face of the new threats against the project.

Oil price 'unlikely to recover this century'

BY LUCY KELLAWAY IN LONDON

CRUDE OIL prices will not return to their 1985 level measured in real terms until the next century, according to the European Energy Outlook, published yesterday by Data Resources Inc (DRI).

The report predicts that prices will stabilise next year at an average of $18 a barrel, rising to $33 by 1995, and accelerating after that.

Despite the sharp fall in prices, average European petrol prices are expected to fall by less than 20 per cent this year, partly because of the effects of taxation and fixed refining costs, but also through higher refining margins.

The report says that the average price of domestic heating oil should be 36 per cent lower in 1986, and the price of heavy fuel oil should be down by 46 per cent.

One effect of lower oil prices will be to put pressure on gas, coal and electricity prices. DRI calculates that real energy prices paid by European industry should fall by 20 per cent this year.

The fall in energy prices for domestic consumers is expected to be smaller, but should nevertheless result in steady increases in demand of about 2 per cent in each of the next three years.

Production dilemma for Soviet planners

By David Buchan in London

Mr Mikhail Gorbachev may have to halve the recent average growth rate in defence machinery production if he is to achieve his ambitious retooling of the Soviet civil economy, according to a study by PlanEcon, the Washington-based research organisation.

"Mr Gorbachev must now choose between tanks and tractors says the PlanEcon report." It cautions against any conclusion that the US has the Soviet Union "over a barrel" at the Geneva arms negotiations, but notes that of all the external factors governing supply and demand for machinery in the Soviet economy, such as the world price of oil, borrowing from the West or terms of trade with Eastern Europe, only arms negotiations are clearly within Soviet power to influence.

Current Soviet plans, say PlanEcon, call for an 18 per cent increase in 1986–90 in total gross fixed capital investment spending, above the 1981–85 level. The report finds that, even discounting any extra resources for consumer durables, this modernisation programme for the civil economy can be achieved only if growth in defence machinery output is cut to 4 per cent from the 8.5 per cent average in the past decade (1976–85).

At the same time, PlanEcon claims, Soviet options to supplement domestic machinery production with purchases from abroad are very limited. The twin declines in the world oil price and in the value of the dollar against other currencies have reduced "the purchasing power of a barrel of Soviet oil in terms of West German machinery by about three quarters over the past 18 months."

Western lenders might be prepared to see an average annual rise of perhaps $5bn in net Soviet debt (currently less than $20bn) for the next five years. But such higher borrowing would be easier in an improved political situation, itself the natural result of an arms accord with the US. "Thus, the Soviets would be able to borrow more easily when the internal resource pressure for external borrowing would in fact be reduced."

Bonn hands over East German economist

BY RUPERT CORNWELL IN BONN

PROFESSOR Herbert Meissner, the East German economist and brief defector, was back in East Berlin last night after the two German states resolved their week-old dispute over his brief but dramatic sojourn in the Federal Republic.

But this resolution of one problem bedevilling relations between them leaves unanswered the more urgent issue of the thousands of Third World refugees crossing into West Berlin with the connivance, if not open encouragement, of the East Berlin authorities. The flood has put almost intolerable strain on the ability of the West German social services to handle them.

Agreement to put a speedy typically convoluted intra-German mixture of the sad and the ambiguous—came after a weekend of busy mediation here by Mr Wolfgang Vogel, the East German lawyer long famous as a broker in sensitive East-West exchanges involving the two German states.

For the previous five days, Prof Meissner had been in the sanctuary of the East German Permanent Mission building here, unable to leave after Mr Kurt Rehmann, the West German Federal Prosecutor, opened an investigation against him on suspicion of espionage on behalf of the East Berlin's Ministry for State Security.

His circuitous route to Bonn—at least according to the most plausible version of events put out by the West German side—began on July 9 when he was arrested for attempting to steal a shower fitment from a West Berlin store. At that point, Prof Meissner apparently decided to defect, and went to the headquarters near Munich of the West German Intelligence Service (BND) to tell all.

The professor then had second thoughts, and on July 15 failed to appear at a previously agreed meeting with BND officials. The next day he resurfaced in the East German mission here, to claim later that he had been abducted forcibly in West Berlin, stripped, drugged, and taken to Munich against his will.

These circumstances are vigorously contested by the West German authorities. Yesterday morning, however, the Federal Prosecutor—heavily leant upon by Bonn—decided to drop his investigation. This in turn allowed the government to put into effect the compromise worked out with Mr Vogel.

The police immediately withdrew from around the mission building, where they had been stationed to prevent Prof Meissner from being smuggled out. He then left the mission, was subsequently given back his East German diplomatic passport, and departed at once for home.

Bonn is now hoping that the inglorious affair will do no serious damage to its relations with East Germany, just when East Berlin has been permitting an encouraging increase in the number of its younger citizens to travel to the West.

Mr Friedhelm Ost, the West German government spokesman, declared yesterday that Bonn had neither demanded nor secured concessions in return for the release of Prof Meissner. However, Mr Ludwig Rehlinger, the junior minister at the Inner German Ministry, admitted that he had discussed "other matters" with Mr Vogel—doing nothing to quell speculation that a subsequent spy exchange might now be easier to arrange.

AP adds from Munich: A Bavarian court yesterday convicted a former senior engineer at Messerschmidt-Boelkow-Blohm, West Germany's largest aerospace concern, of spying for the KGB and sentenced him to eight and a half years in prison.

Manfred Rotsch (62), who gave Soviet agents important information about the Tornado fighter, was also ordered to pay a DM 18,000 (£5,600) fine.

Genscher seeks Soviet help in halting refugee flood

BY LESLIE COLITT IN BERLIN

THE West German Foreign Minister, Mr Hans Dietrich Genscher, yesterday sought the help of Mr Mikhail Gorbachev in stemming the rising tide of Third World asylum-seekers entering West Berlin from East Germany.

West German officials said Mr Genscher asked that the Soviet airline Aeroflot and East Germany's Interflug stop transporting the asylum seekers to East Berlin airport. Britain, too, has been seeking Soviet help in the matter. Officials in West Berlin disclosed that Sir Geoffrey Howe, the UK Foreign Secretary, raised the matter last week with Mr Eduard Shevardnadze, his Soviet counterpart. Britain, the US and France are responsible for West Berlin.

Last weekend 400 people, mainly from Iran and Lebanon, entered West Berlin and applied for political asylum under West Germany's liberal asylum law. In the first half of this month, 2,500 Third World refugees came to West Berlin compared with 3,300 in the whole of the previous month.

On Sunday night a dozen West Berliners demanding the removal of newly-arrived refugees housed in tents on a sports field clashed with a larger number staging a counter-demonstration. Three policemen were injured in the melee.

The head of West Berlin's Department of Social Affairs, Mr Ulf Fink, said the city's capacity to shelter the refugees was "totally exhausted." He called on the Bonn Government, which will discuss the issue tomorrow, to introduce legislation shortening the two-year period it takes to decide whether to grant political asylum.

Allied officials in West Berlin are refusing to introduce border controls for the western side of the Wall because East Germany is believed to want the sector border transformed into a proper international frontier. Officials point out also that controls would not solve the problem as the refugees crossing West Berlin directly from Schoenefeld airport in East Germany are allowed into the city automatically when they tell West Berlin customs officials they want political asylum.

One allied official indicated that part of the problem was that East Germany was receiving less hard currency from West Germany this year in return for extra services connected with West Berlin. It earns visa fees from the refugees, and might halt the flow if it received an equivalent sum of money from West Germany.

● The official Yugoslav campaign to check the flight of minority Slavs out of the southern province of Kosovo has been taken a further step with a ban on the emigrants selling their property to the ethnic Albanian majority, writes David Buchan.

The move, taken over the weekend by the Kosovo provincial assembly and reported by the Tanjug news agency, appears to mark a certain official desperation that the exodus of Slav Serbs and Montenegrins, far from being slowed by remedial economic aid since the serious 1981 riots, actually accelerated last year.

Most ethnic Albanian agitation has been for republican status for Kosovo within the Yugoslav federation, but every year dozens of Albanian Kosovars have been jailed on charges of harassing minority Slavs and calling for an ethnically pure region that might seem a tempting prize to neighbouring Albania for incorporation. Ethnic Albanians already outnumber ethnic Slavs in the province by more than eight to one.

Recent measures by the Kosovo government include job and housing incentives to entice back those Serbs and Montenegrins who have emigrated in recent years. The risk with the new ban on property transactions between the two ethnic communities is that if, despite new economic incentives, Slavs still want to leave, their major property assets will be unsaleable and therefore worthless.

It will also not affect the recent practice whereby Serbs and Montenegrins wanting to leave Kosovo simply swap occupation of publicly-owned apartments with ethnic Albanians living elsewhere in Yugoslavia who want to go to Kosovo.

BONN'S ARMS POLICY UNDER FIRE

WEST GERMANY's disarmament policies came in for criticism yesterday from the Soviet Union following a meeting between Mr Mikhail Gorbachev and Mr Hans Dietrich Genscher, the West German Foreign Minister, writes our Moscow correspondent.

The Soviet Foreign Ministry spokesman, Mr Gennady Gerasimov, said after what he called frank talks, that West Germany was not as active as could be expected in furthering East-West disarmament. He did not explain what he meant, but indicated that Moscow still wanted Bonn to get rid of Pershing 2 and cruise missiles on its territory, which he noted had the greatest concentration of nuclear weapons in the world.

For his part, Mr Genscher described the talks as constructive and lively, and said they opened "a new page in our relations." He did not elaborate, but West German officials have been anxious to portray the current trip, Mr Genscher's first to Moscow since 1984, as a boost to recently stagnant relations.

West Germany's Technology Minister, Mr Heinz Riesenhuber, was due to arrive in Moscow late yesterday for the signing today of a bilateral treaty on scientific and technical co-operation that has been under negotiation for 12 years.

Mr Genscher's talks followed a meeting he had before leaving Cologne on Sunday with Mr Paul Nitze, President Ronald Reagan's Special Adviser on Arms Control. Mr Nitze has been sent to consult US allies on Washington's response to the latest Soviet arms control proposals.

West German officials in Bonn said Mr Nitze had shown nothing to Mr Genscher in writing, but added that Mr Reagan's response to Soviet proposals for reducing strategic and medium-range nuclear weapons in exchange for limiting the Star Wars programme would be given soon. The answer is keenly awaited in Moscow.

EEC ministers bid to cut spending plans

BY TIM DICKSON IN BRUSSELS

EEC budget ministers meeting in Brussels were last night attempting to prune back the European Commission's preliminary proposals for 1987 spending.

In their first formal discussion on the Community's budget for next year, ministers were hoping to eliminate certain areas of "non-compulsory" spending put forward in the Commission's Ecu 36.75bn ($36.27bn) draft plan.

The ministers are under pressure because the Commission figure leaves little room for manoeuvre inside the limits imposed by the 1.4 per cent VAT ceiling. This determines the resources at the Community's disposal.

Most member states are adamant that despite the pressures for more spending this should not be breached – but there was less agreement on whether they should leave a "margin" inside the maximum permitted ceiling. It is widely appreciated that a further fall in the value of the US dollar – the currency in which world agricultural prices are denominated – could later this year significantly increase the requirement for farm spending in 1987.

The ministers yesterday decided to accept the Commission's preliminary draft figure for agriculture of Ecu 22.96bn, although this could be substantially revised in October.

The debate on so-called non-compulsory expenditure which includes the social and regional funds – was inevitably influenced by the divide between the northern states such as France and Germany which benefit from the Common Agricultural Policy, and the Mediterranean countries which do best out of the structural funds.

Romanian repayments deal agreed

By Peter Montagnon
Euromarkets Correspondent

ROMANIA'S MAIN commercial bank creditors have agreed a new timetable for repayment of some $880m (£553m) in debt falling due this year and next under rescheduling agreements reached in 1982 and 1983.

The new timetable, which became necessary after the country's reserves were run down through a shortfall in exports and a heavy existing burden of debt amortisation, calls for repayments of the affected debt to start in 1989 and continue through November 1992.

The arrangement has now been approved by the Barclays-led committee of leading creditor banks which has been spearheading negotiations with Romania. It is due to be submitted to the full body of 230 creditor banks this week.

It includes a proposal to reduce to 1½ per cent from 1¾ per cent the interest margin Romania is paying on the debt affected. The lower margin reflects the overall reduction in Romania's foreign debt which fell from $10.1bn to $6.6bn between 1981 and the end of last year.

Nonetheless it is higher than that now being paid by many Latin American countries on their reschedulings. This is partly to keep it in line with current Comecon levels and partly because the new arrangement represents a renegotiation of existing rescheduling arrangements.

Romania has not asked its bankers for any additional loans this year and will continue to service its other debt normally, though other creditors such as Western governments are expected roughly to match repayments with fresh credits.

De Clercq briefed to untangle spaghetti war

BY PAUL CHEESERIGHT IN BRUSSELS

Mr Willy de Clercq, the European Community's external relations commissioner, will seek to untangle the EEC-US spaghetti war with the offer of a new package of trade concessions covering US citrus products and Community Mediterranean farm products.

Negotiations are expected to resume shortly. If successful they would remove another running sore in transatlantic commercial relations, following the settlement of a dispute on semi-finished steel products and a truce in arguments over the effects of Community enlargement.

The so-called spaghetti war came about when the US imposed extra duties on Community pasta because it believed its citrus exports were being discriminated against by virtue of the EEC's network of trade arrangements with Mediterranean countries. The Community promptly retaliated by raising duties on US walnuts.

Foreign ministers of the Community yesterday gave Mr de Clercq his negotiating orders against the background of informal suggestions by the US that it might take new action along the lines it adopted for pasta.

Pasta exports have not been much affected because the EEC subsidises them anyway and can thus absorb higher duties. But US walnut sales have been hurt in Europe.

It was made clear that any new US action would be met in the now ritual fashion by Community trade restraints on the US having on equivalent effect.

Oslo oil tax deal attacked

BY FAY GJESTER IN OSLO

OIL companies operating on Norway's continental shelf want significant changes in the package of tax concessions proposed by the Government earlier this month. They claim that, overall, it will leave many of them considerably worse off than at present.

Oslo's aim was to stimulate continued exploration and development, while at the same time maintaining revenues from producing fields and encouraging cost-consciousness. The concessions, therefore, apply mainly to future activities – a zero royalty rate on projects not yet approved, for instance, and new depreciation provisions enabling companies to write off investments from the year of expenditure, rather than from the year a field comes on stream.

A planned reduction in the rate of excess profits tax, on the other hand, is to be balanced by the abolition of excess profits tax uplift

FINANCIAL TIMES

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Reagan finalises reply to Soviet proposal on arms

BY REGINALD DALE, US EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan has approved the basic outline of a response to the latest Soviet arms control proposals, but it will not be sent to Moscow until the US's European and Asian allies have been consulted, the White House said yesterday.

The US position is to be contained in a letter that Mr Reagan is expected to send to Mr Mikhail Gorbachev, the Soviet leader, by the end of the month, officials said yesterday. Two of Mr Reagan's senior arms control advisers, Mr Paul Nitze and Mr Edward Rowny, have been despatched to Western Europe and to Asia to discuss the proposed US response with friendly governments.

Mr Reagan is understood to be hoping that his letter will be seen in Moscow as encouraging enough to allow preparations to proceed for a second superpower summit in the US later this year. While US officials believe that momentum is building for another summit, Mr Gorbachev told Mr Reagan in a letter in June that such a meeting would only make sense if it promised "concrete results" on arms control.

Administration officials yesterday declined to discuss the details of Mr Reagan's proposed reply, which are known only to very few people in Washington. Leaked accounts of the letter, however, suggested that Mr Reagan will adopt a conciliatory tone, showing willingness to negotiate, without necessarily taking up specific Soviet proposals, such as limiting his strategic defence (star wars) programme in exchange for deep cuts in offensive missiles.

Nevertheless, administration officials told the Washington Post yesterday that Mr Reagan's letter could open the door to negotiations on limiting his space defence programme on the understanding that research on the new weapons could continue.

The State Department and the Pentagon, however, were said to be at odds over how far such a compromise could go, with the Pentagon still opposing restraints on defensive systems.

Other officials told the New York Times that Mr Reagan's letter would contain "new ideas"

Louise Kehoe on growing apprehension of a major tremor

California wakes up to quake threat

CALIFORNIANS ARE beginning to take earthquakes seriously. The extensive damage and death toll in Mexico City's massive quake last year shook up complacent California residents who have always known, but preferred to forget, that they too live in earthquake country.

The state is overdue for the "big one." Minor, though sometimes frightening earthquakes are a way of life with two strong tremors in the past two days alone. But it is 75 years since the infamous San Andreas Fault—a geological stress line that sears the state from north to south—has ruptured.

Over the past few years, however, earthquake activity in California has dramatically increased and experts believe a major earthquake is very likely to occur. Predicting exactly when and where is a lost cause, however. The science of earthquake prediction is just not accurate enough.

California state officials have therefore turned their attention to preparing for the inevitable. For when it happens, the "great California earthquake" could be the worst disaster in American history since the civil war, according to federal Government estimates.

In 1980, a federal emergency management agency study of the potential impact of a major quake in California issued this warning: "The nation is essentially unprepared for the catastrophic earthquake that must be expected in California in the next three decades . . . with disruption of communications, the social fabric and Governmental structure. The impact of such an earthquake would surpass those of any natural disaster thus far experienced by the nation."

'The big one,' when it happens, could be the worst American disaster since the civil war, experts say. So far, few preparations have been made in the US's earthquake-prone state

Such dire warnings are echoed by assessments of the cost in human and economic terms of a major quake in the San Francisco area. A study published this year by the California Department of Conservation predicts that a major quake—of 7.5 on the Richter scale—in the San Francisco Bay area would result in between 1,500 and 4,500 deaths, three times that number of serious injuries and 30 times as many minor injuries.

The economic cost was estimated six years ago as $44bn in damage to buildings and their contents. Today, the figure is probably closer to $50bn.

Particularly at risk is the highly populated northern area of San Francisco Bay, the finger of land that has San Francisco at its tip and Silicon Valley at its base. Until recently Silicon Valley companies have done little to address the earthquake threat beyond practising standard earthquake drills as an extension of normal safety policies.

Corporate attitudes have however been given an uncomfortable jolt by the current insurance crisis. The cost of earthquake insurance has risen dramatically, and the liability insurance which companies need to protect themselves from employee, shareholder and third-party law suits is virtually unobtainable.

The only way that companies can protect themselves from the possibility of huge liability claims, for example, by individuals injured during an earthquake while working or visiting a company's premises, is to show that they have taken every reasonable step to safeguard their buildings and the contents.

The cost of earthquake preparedness can be very high. Strengthening a building to withstand a major quake costs about half as much as replacing it.

To date, only a handful of the largest companies in Silicon Valley have undertaken the major structural improvements that most buildings need. IBM, which has a major manufacturing complex in San Jose, was among the first companies to take drastic action. The computer company has spent millions of dollars on upgrading the structural strength of its buildings and securing their contents.

For many companies there are no easy answers. Hundreds of companies on the shores of San Francisco Bay, are built on man-made "landfill" or on land that has been formed over the past 50 or so years by natural silting of the bay. The vast majority of the buildings in these areas are built upon wide concrete slab foundations. Only a few of the largest buildings have been anchored with piles.

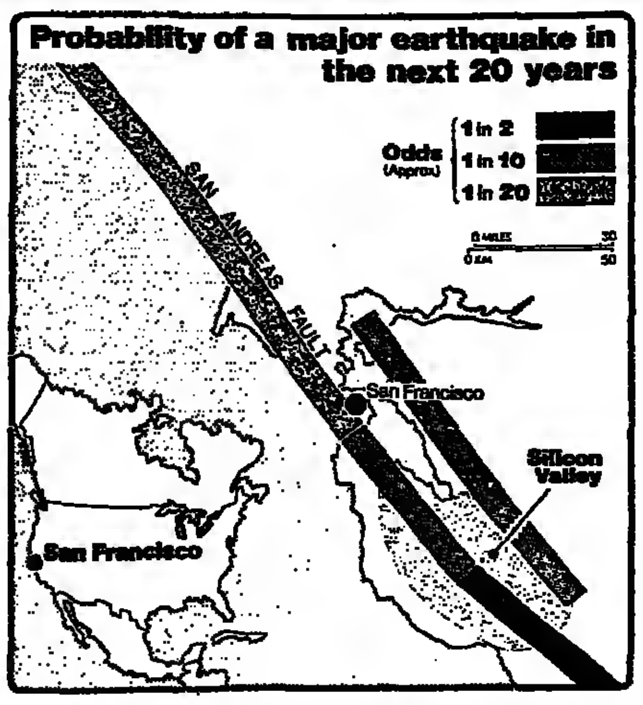
Particularly worrying in Silicon Valley are the large number of "tilt-up" buildings constructed in precast concrete and composite materials. According to a recent report by the state seismic safety commission, many of the newer precast structures are "potential collapse hazards." Such buildings house virtually all of Silicon Valley's electronics and computer companies.

Even a moderately strong earthquake, which is very likely to occur in Silicon Valley, poses major potential problems. Although a quake of 5-6 on the Richter scale might not collapse buildings, it could be expected to play havoc with their contents.

Particularly vulnerable are the mainframe computers that hold data critical to the operation of businesses. The specially designed rooms that house computers typically have false floors communications cables are

Most of the major Silicon Valley companies have hedged their bets by building new plants in areas that are less prone to earthquakes. Some also say that they have taken steps to move critical equipment and supplies out of the region. Still, they admit, disruption of their headquarters and local production facilities would cause a major business crisis.

Even if the larger companies that are preparing for an earthquake survive relatively unscathed, however, they face the prospect of trying to restart operations while the world around them is in total disarray. While suppliers, customers, banks, utilities and transport systems recover from the earthquake, there will be little business done by Silicon Valley's high tech industries.



US tries to arrange $1.5bn bridging loan for Mexico

BY STEWART FLEMING IN WASHINGTON

THE US is seeking to arrange a $1.5bn (£960m) bridging loan to boost Mexico's financial resources during what are expected to be protracted negotiations over a financing package for the heavily indebted Latin American nation.

According to monetary officials in Washington some of the industrial country central banks who are being asked to contribute to the bridging loan (commercial banks may also be asked to participate) are expressing reservations.

The West German Bundesbank said to be the most reluctant and its stance could add another irritant to economic relations between Washington and Bonn. These are already strained as a result of the unwillingness of the West German Government to introduce measures to stimulate its economy.

Mr James Baker, US Treasury Secretary, last week criticised West Germany for failing to reduce its interest rates in response to the cut in the US Federal reserve board's discount rate to 6 per cent.

Mexico and the Internaton Monetary Fund are expected later this week to finalise a agreement on a new package of economic reforms. Mexican officials are expected in Washington this week to present to the IMF a letter of intent which will detail the country's restructuring plans which it will exact in return for loans it is expecting from the IMF, the World Bank, other official lenders and commercial banks.

A framework for the package which would include $1.5bn of IMF loans has been agreed in principle with the IMF. It is widely seen as representing a significant modification of the industrial countries' debt strategy not least because of the increased emphasis being put on insulating Mexico from the adverse impact of any further decline in the price of oil, and on reviving economic growth in Mexico in 1987.

Officials in Washington say that commercial banks are being asked to lend between $5bn and $7bn to Mexico over the 18 months to the end of 1987.

Cuba fails to secure deal for rescheduling

BY PETER MONTAGNON

A FRESH round of rescheduling talks between Cuba and its main international bank creditors has ended without agreement on a rescheduling arrangement to alleviate servicing problems on the country's $3.5bn (£2.2bn) foreign debt.

Bankers who attended the talks at the end of last week at the offices of Credit Lyonnais in Paris said they would need more time to evaluate Cuba's figures and would meet again in the first half of August.

Cuba has been seeking a rescheduling of debt falling due this year and next as well as some $300m in fresh bank credits because of a shortfall in export earnings from sugar and refined oil products. Last week the Paris Club of Western government creditors agreed to defer repayment of official debt falling due this year.

But commercial banks are reluctant to be stampeded into an agreement of their own, even though Cuba has started missing both interest and principal payments on its foreign debt.

They said one sticking point was the amount of new finance Cuba would need, adding that $300m was too much. Some bankers believe further resources could be freed by tightening the squeeze on imports.

US university to sell S. Africa-related stock

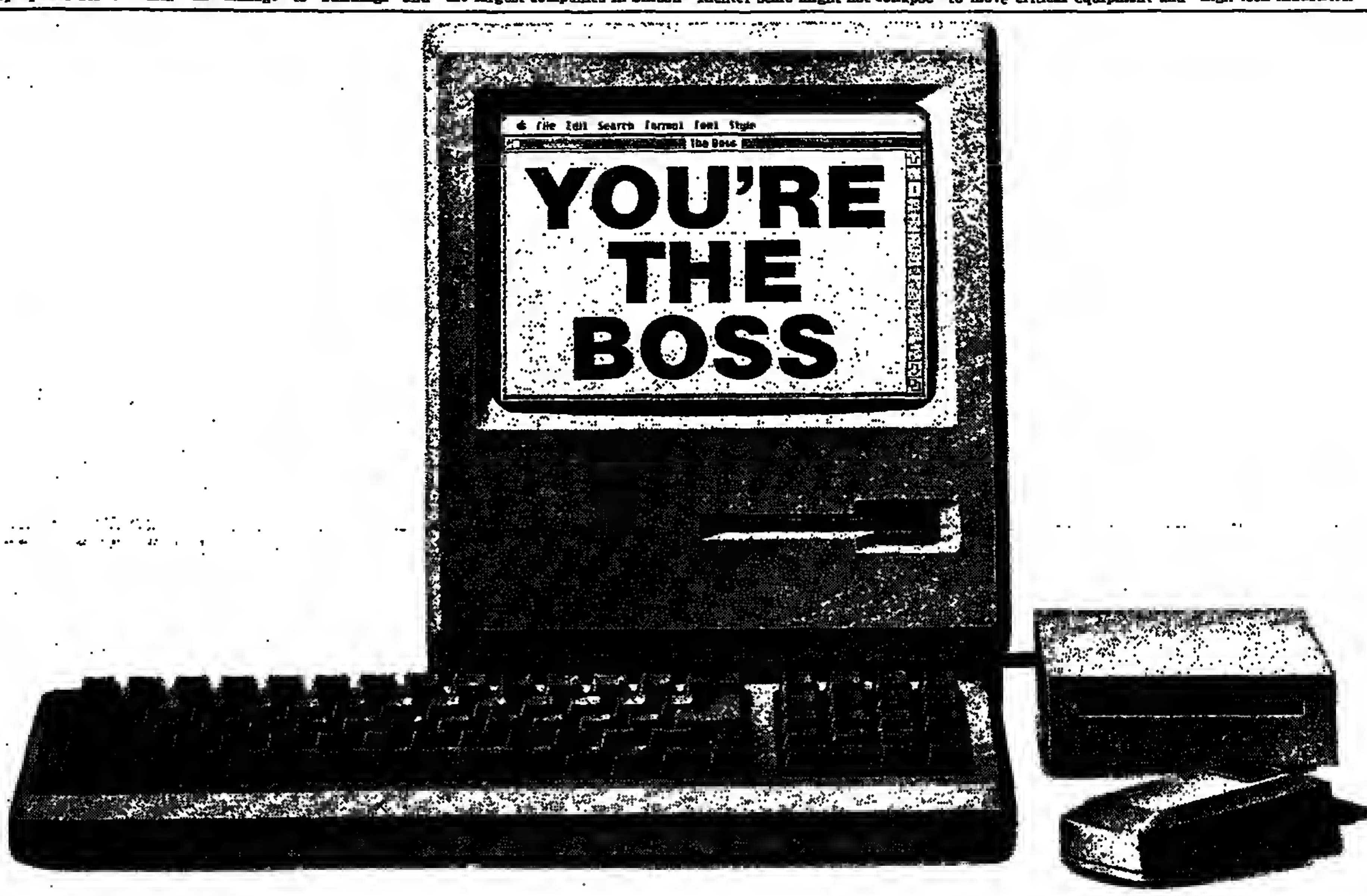
BY OUR CALIFORNIA CORRESPONDENT

GOVERNORS of the University of California have voted to sell $3.1bn (£2bn) of stock in companies doing business in South Africa to protest against apartheid. The move is expected to lead to the divestment of an additional $7.5bn worth of stock by state pension funds.

The decision followed a proposal by California Governor George Deukmejian to eliminate all the university's South African related holdings over the next four years. Previously the Republican governor, who is a member of the university's board of regents (governors) had opposed full divestment.

Mr Deukmejian's switch, and the regents' decision, is expected to have nationwide influence. The governor, a staunch supporter of President Reagan, said he expects the decision to affect the policy of the President and Congress.

In California the governor's policy change promises a move for divestment by much larger state pension funds. Nearly $8bn of the state's $40bn pension funds are estimated to be in South Africa related companies.



OVERSEAS NEWS

...thquake ...ars jolt Page 3

President Mubarak . . . call for assistance

Egypt faces up to falling oil revenues

By Tony Walker in Cairo

EGYPT's oil revenues have dwindled to almost nothing at a time when the government of President Hosni Mubarak appears at last to be facing up to the urgent need for an agreement with the International Monetary Fund on balance of payments support.

Oil industry officials report that Egyptian exports of crude have slumped drastically in the first six months of the year. Estimates put the daily volume of oil sold at around 10-15 per cent of last year's levels.

Mr Mubarak told a meeting of the ruling National Democratic Party that Egypt is seeking to re-schedule some of its estimated $35bn (£22.8bn) foreign debt. Cairo, which has had desultory discussions with the IMF, may now be forced into serious negotiations.

The Egyptians had said they would not accept tough IMF conditions for assistance. The Fund has been demanding reforms of Egypt's bloated subsidy system and a streamlining of its tangled exchange rate régime as the price of it providing financial support.

Egypt's president has just returned from a visit to European capitals where he appealed for assistance in overcoming his country's severe economic problems, notably the foreign debt payments which are well in arrears.

Mr Mubarak said Egypt was suffering from a "fantastic drop in world oil prices." He has predicted that in a full year Egypt's earnings from oil would be down $1.2bn.

Representatives of foreign oil companies say that if prices continued depressed, the drop in Egypt's main foreign currency earner could be even more severe. In 1985, earnings reached about $2.6bn on exports of about 250,000 barrels a day.

Egypt's oil production last year averaged 870,000 b/d, half of which was used domestically. Of the rest, about one quarter went to foreign oil companies as cost recovery and equity share.

Meanwhile, Bankers Trust is continuing its discussion with Reagan Administration officials and financial institutions on a proposal to re-structure Egypt's $4.5bn military debt to the US.

The US bank has proposed that the Foreign Military Sales (FMS) debt which has become unmanageable for Egypt in its present economic circumstances, be re-structured, using the capital market and taking advantage of lower interest rates available.

Egypt is paying an average of 12.01 per cent on its borrowings, which took place between 1979-1984, under the FMS programme. It is also attracting a 4 per cent levy on those payments, because it is up to 12 months in arrears.

Aquino seeks boost to investment

By Samuel Senoren in Manila

PRESIDENT Corazon Aquino of the Philippines yesterday directly appealed to local and foreign businessmen to raise their investments in the economy in order to spur a recovery during the second half of this year.

Mrs Aquino, speaking before leaders of business and industry at the Manila Hotel, was visibly disappointed by the slow response her Government had received from the private sector which has been holding back on new investments.

It was the first public admission of Mrs Aquino since taking power in February that her Government was not getting the desired support from the business community.

Five months ago, she recalled, the business sector singled out former President Marcos as the obstacle to the engine of growth in the economy.

"I have removed the obstacle. But where is the engine?" she asked.

The Philippines' economic indicators are basically optimistic, including an inflation rate averaging less than 4 per cent and lending rates of about 15 per cent. But they have not led to increased business activity.

Business and industry still widely perceive Mrs Aquino's Government to be highly unstable in the absence of a popularly ratified constitution and an elected legislature which would clearly define business and economic policies.

SOUTH AFRICA CRISIS

Botha unyielding in Tutu meeting

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA'S President P. W. Botha appeared to make no significant concessions during a two-hour meeting in Pretoria yesterday with Nobel Peace Prize winner and archbishop-elect of Cape Town, Bishop Desmond Tutu, on the eve of the visit by Britain's Foreign Secretary, Sir Geoffrey Howe.

The meeting, the second in six weeks, was described by Bishop Tutu as a "friendly, frank exchange" about the situation in South Africa, centring on the state of emergency, the harassment and detention of churchmen, and the crisis in black education.

Asked whether he has changed his views on Sir Geoffrey's forthcoming mission, Bishop Tutu replied: "I am where I was," thus indicating he stands by his earlier refusal to see Sir Geoffrey.

The outcome of his discussions with Mr Botha "could have been better," Bishop Tutu said.

THE South African Government said yesterday that police are investigating the lobbing of a teargas canister into the car of the leading anti-apartheid churchman, Rev Allan Boesak, after a church service in a Cape Town suburb on Sunday, Bernard Simon reports.

A Bureau of Information official said police had given an assurance that no canisters were "purposely" thrown at Dr Boesak's vehicle. The teargas had been fired at churchgoers after they stoned police, injuring one policeman and damaging two vehicles, the official added.

Dr Boesak said he planned to lay charges against whoever had thrown the canister. The service was held to demonstrate support for the families of detainees.

Mr Botha's only comment was that "we had a long discussion. On some points we agreed, on some we disagreed."

The president issued a statement late yesterday afternoon expressing his view the Bishop Tutu represents only a portion of South Africa's churches.

"Only after all the churches have articulated a considered opinion on the many facets of our national life should they approach the Government with a position which can be interpreted as the voice of the Christian church," Mr Botha stated.

Mr Botha said he had urged Bishop Tutu to take a stand against sanctions. "I expect it from him to stand up against foreign intervention in the affairs of our country."

The talks, requested by Bishop Tutu at the instigation of his senior diocesan advisers, took place in Mr Botha's office.

Both men were equally discreet after their first meeting which took place in Cape Town on June 13, the day after the state of emergency was imposed.

Their cautious answers to media questions fuelled speculation at the time that they were laying the groundwork for a significant breakthrough in political dialogue between black and white leaders.

Radical elements in the black community have criticised Bishop Tutu for meeting Mr Botha, pointing to the delicate path the Nobel Peace laureate is treading.

There was no indication after yesterday's talks that any such breakthrough had been achieved, nor whether further discussions are planned.

The only accomplishment mentioned by Bishop Tutu was a promise by Mr Botha to refer his concerns on the education crisis and the detention of church leaders to the appropriate cabinet ministers.

TUC to step up pressure for reform

BY DAVID BRINDLE, LABOUR CORRESPONDENT

LEADERS of Britain's TUC plan to draw up a list of measures to be taken by trade unions in the UK to step up pressure for reforms in South Africa.

This follows the return to Britain yesterday of Mr Norman Willis, TUC general secretary, and Mr Ron Todd, chairman of the TUC's international committee, who joined a three-day visit to South Africa by a delegation from the International Confederation of Free Trade Unions.

Clearly moved by their experience, Mr Willis and Mr Todd said in London that they had been left in no doubt about the need for economic sanctions against the South African Government.

However, it remains uncertain how far the TUC will go in advocating measures by unions. Both men yesterday emphasised that the union movement should not commit itself to policies it could not fulfil.

Mr Willis said: "We have to consider very carefully what in fact is deliverable, because there is no way we are going to promise things that don't happen."

This hesitation is likely to centre on the issue of industrial action in the form of boycotts of South African goods.

The Transport and General Workers' Union, of which Mr Todd is general secretary, has already faced left-wing criticism for allegedly failing to support some of its members at Heathrow Airport, London, who wished to refuse to handle South African cargoes.

One tactic certain to be adopted, however, is that of increasing pressure on UK companies active in South Africa to campaign for the release of detainees.

This will apply in particular to companies with subsidiaries employing some of the 280 known detained union activists. Mr Willis yesterday cited the case of Mr James Mndaweni, president of the Council of South African Unions, who is employed by Unilever.

Mr Todd, who proposed that a full TUC delegation should be sent to South Africa, said that "nearly all" the trade unionists and black people he and Mr Willis had met had been in favour of economic sanctions being applied to Britain.

He said he had been shocked at the contrast between living conditions in Johannesburg and those in the black townships. "We were there for three days and we travelled through the clear and distinct worlds."

India in bid to improve public-sector enterprises

BY K. K. SHARMA IN NEW DELHI

INDIA HAS made a major attempt to improve the working of unprofitable public-sector enterprises, in the form of a management consultancy firm that will be owned and run by private professional managers.

Ministries in charge of public sector undertakings in sectors such as power, coal, heavy engineering, railways and petroleum have been asked to make use of the consultancy services of the new company.

The Government's approval for a proposal for the company was announced to parliament yesterday by Mr K. K. Tewari, Minister for Public Enterprises. The company will help manage some of the key loss-making public-sector companies.

The company will be owned by non-resident Indians to the extent of 51 per cent but part of the equity will come from some of the public sector undertakings it will help to manage.

A major part of India's heavy industrial enterprises are government owned and many of them have made heavy losses. Of the 207 public enterprises owned by the central government, as many as 91 made losses in 1984-85.

Newsman's detention 'may damage China's image'

CHINA'S image around the world may "diminish seriously" because of the continued police detention of a New York Times correspondent on suspicion of intelligence gathering, Mr A. M. Rosenthal, the paper's executive editor, said yesterday, AP reports.

Earlier, Mr Rosenthal had met the correspondent, Mr John Burns accompanied by a security officer.

Mr Rosenthal identified the security officer as Gen. Zhang, adding: "John Burns is no more an intelligence agent than my grandmother, who was not one."

Mr Burns, 41, in his first meetings with foreigners since his detention, yesterday also met British and US Embassy officials, his wife Jane Scott-Long and their two small children.

"The time has come for damage control," Mr Rosenthal said. "The damage control consists of releasing him quickly. I emphasise quickly because I believe that every day will be more and more damaging."

● The seventh round of Sino-Indian border talks opened in Peking yesterday, several days after an acrimonious exchange on alleged Chinese border violations that has clouded hopes for substantial progress.

ARGUMENTS CONTINUE OVER FUTURE OF LAVI

Israel unveils controversial fighter

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S controversial Lavi fighter, at $2.2bn the country's largest national project, was formally unveiled yesterday by Mr Shimon Peres, the Prime Minister. The fighter was a superb technical achievement, which only five or six other countries in the world were capable of matching, he said.

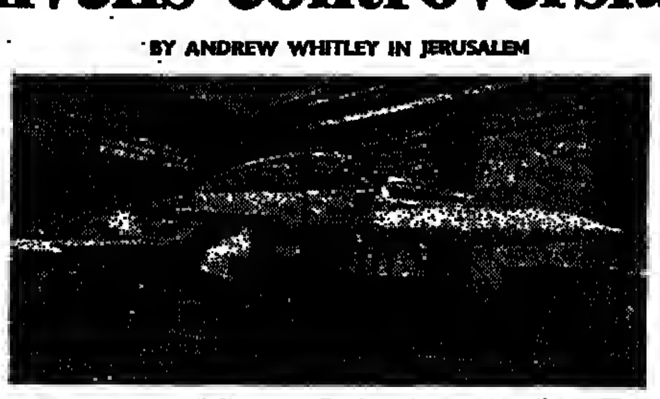
Indirectly answering the project's growing number of critics, the Prime Minister said that apart from being the best aircraft for Israel's needs, the Lavi could also become a major export item. It would be similar to the Kfir fighter and Gabriel missile, each of which had earned the country a billion dollars in exports, he claimed.

The small, multipurpose aircraft, due to make its maiden flight by October, is comparable to the General Dynamics F-16 which Israel already has in service. But its sophisticated avionics and electronic warfare equipment are said to give the Israeli warplane a better ground attack capability.

Its defenders believe the Lavi will be an engine of development for the proliferating high-tech industry, a major source of employment and, above all, a means for Israel to advance towards military self-reliance.

Its opponents argue however, that the project will impose intolerable strains on an already overstretched defence budget, for no significant additional strategic gain. Both the Navy and ground forces chiefs in the Israeli Defence Forces have criticised the project on the basis that their own re-equipment needs will suffer if the Lavi goes into production.

"If the Lavi flies, the army will lie on the ground" Major



Israel's new jet fighter, the Lavi, under construction. The name means "lion cub"

General Amir Drori, the ground forces commander has quipped.

The Reagan Administration, the Lavi's chief financier, is also taking an increasingly hard line on the project, holding up the disbursement of development funds and taking every opportunity to urge Israel's national unity Government not to proceed to the production phase as planned next year.

Even though $1.1bn has already been spent, US officials say there is no such thing as "a point of no return" for the project, and that cancellation at a later stage will be even more costly. In its place the Pentagon has proposed a co-production deal on an updated F-16, using the avionics and other electronic systems already developed for the Lavi.

Mr Yitzhak Rabin, the Israeli Defence Minister, has said he is not interested in this idea although he is prepared to listen provided the Lavi's development schedule is not affected.

Two US studies on the Lavi meanwhile should be completed before the end of the year. Decisions will have to be made in early 1987 on moving into full-scale production if the target date of 1990 for the aircraft to come into service is to be met.

An examination of the Lavi's costs is being conducted by the US General Accounting Office of Congress and a Pentagon-financed study of alternative solutions is also in progress.

At the heart of the dispute is a sharp difference of opinion between the Defence Ministry in Tel Aviv and the state-owned Israel Aircraft Industries (IAI) on one side, and the Pentagon on the other, over what the aircraft will cost to build.

According to Mr Zvi Tropp, economic adviser to the Defence Ministry, the "fly away" cost of the Lavi—based on a series production of 300 aircraft—will be $14.5m. With spares, maintenance and a share of the $2.2bn development budget, the unit cost comes to $32.5m.

At the Pentagon, however Mr Dov Zakheim, an Assistant Undersecretary and the bete noire of the Lavi's fans, is sticking to his "fly-away" cost figure of nearer $22m. Ironically, as has been pointed out here, Mr Zakheim is an observant Jew with close personal ties to Israel.

To save the threatened aircraft IAI officials are now urgently seeking a US partner to come in on a full cost-sharing basis. But this would entail reshaping an increasingly expensive aircraft for an export market that no one is sure exists. To date, no US aerospace manufacturer has taken up the Israeli offer.

About a third of the Lavi by value is being designed in the US and this is expected to rise to half once contracts are placed for the production aircraft. Pratt and Whitney is providing its new 1120 engine, Grumman is building the composite material wings and tail section and Lear Siegler is responsible for some of the avionics.

The mistake Israel made, which even some of the Lavi's firmest defenders admit in private, was to diverge from the original plan for a small, low cost, lightweight aircraft. As the design and strategic concept evolved, more and more sophisticated systems were added on to the aircraft and the needs of Israel's high tech industry and those of the military neatly dovetailed. But it was the US which was left to foot the bill.

In the face of pressure to drop the project, its defenders believe the psychological momentum already under way could be their strongest card. Yesterday's roll-out, to be followed by the first test flight, are creating "facts on the ground," they believe, which are capable of mobilising public opinion and thus are harder for outsiders to block.

Moda'i quits Cabinet but may return

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S Justice Minister, Mr Yitzhak Moda'i, resigned yesterday from the national Unity Government, just three months after his switch from the Finance to the Justice portfolio narrowly averted the collapse of the coalition government.

His resignation followed a repitition of the strong personal criticism Mr Moda'i has frequently directed at Prime Minister Shimon Peres—criticism this time aimed at Mr Peres's handling of the Shin Bet security service scandal.

The Prime Minister had made clear he intended to dismiss his outspoken colleague at a special Cabinet meeting called for yesterday afternoon. But in the event he was pre-empted by Mr Moda'i's decision to go quietly without a fight.

Unlike the previous protracted Cabinet crisis in April centred on Mr Moda'i, leader of the small Liberal Party in the Likud bloc, this time his fellow-Likud ministers chose not to make a stand on the issue.

The rotation of the prime ministership from Mr Peres to Mr Yitzhak Shamir, the Likud leader, is coming up in three months' time and nothing is being allowed to endanger it taking place.

Mr Shamir, who was called in by Mr Peres yesterday morning to be told of his intention to dismiss the Justice Minister, described the move as "a gross violation of the coalition agreement" between Labour and Likud.

Likud party officials were saying yesterday that Mr Moda'i will probably return to the government in October after the rotation takes place.

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EEC chipmakers to press Japan dumping charge

BY TIM DICKSON IN BRUSSELS

EUROPE'S semiconductor manufacturers yesterday reaffirmed their determination to push ahead with en anti-dumping complaint against Japanese exporters.

Reports of an imminent settlement of the long standing dispute over semiconductor trade between the US and Japan "make no difference to our case," Mr Jean Caillot, President of Thomson International of France and a spokesman for the European Electronic Component Manufacturers Association (EECA) said in Paris yesterday.

Mr Caillot said he treated "with scepticism" suggestions that Japan's Ministry for International Trade and Industry (Miti) would establish an effective price monitoring system on the cost and export pricing of various semiconductor products.

"We have seen from the experiente with VCRs that this sort of floor price arrangement doesn't work," he said.

The EECA, however, emphasised that it "did not know enough detail" to comment on the proposed agreement between the US and Japan at this stage.

The EECA has presented detailed allegations of Japanese dumping in Europe to the European Commission, which is expected to decide whether to proceed with the case some time in September.

The complaint, spearheaded by Thomson mainly concerns Dynamic Rams (Random Access Memories) and Eproms (Electrically Programmable Read Only Memories) whose prices have fallen sharply in recent months.

"The situation is getting worse every day," Mr Caillot said yesterday. "The Commission has hold us that they normally take six months to investigate an anti-dumping complaint but we hope that they will be able to give us priority in view of the urgency of the problem."

Most of the major European manufacturers are believed to be involved but the action is being brought in the name of the EECA.

Cockfield warns City of London over free market

BY CHRISTIAN TYLER, TRADE EDITOR

BRITAIN would have to accept demands from other EEC nations in order to achieve the benefit of a single European market in financial services, the City of London was warned yesterday.

Lord Cockfield, EEC Commissioner for the internal market, said the Commission's programme for completing the market liberalisation by 1992 had to be taken as a single package.

A unified market for financial services should work to the clear advantage of the UK because of the efficiency of the City.

"But it would be politically naive to imagine, as some in this country are sometimes tempted to believe that it will be possible to press ahead with an internal market in financial services and then postpone or even abandon other, less palatable, elements of the internal market programme," the Commissioner said.

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Lord Cockfield, who was reviewing progress at a dinner held by the London-based Trade Policy Research Centre, said the programme formed a single economic, juridical and political package. It was "dangerous nonsense" for any country to imagine it could pick and choose.

"You who work in the City of London should remember that a liberalised and unified European market for financial services will have to be accompanied by progress towards the objectives of other member states."

He urged his audience to throw their weight against the special pleading of "small, but well-organised minorities" over the next six years.

Campaign to cut farm subsidies launched

By Peter Ungphakorn in Bangkok

SENIOR officials from 14 exporting countries this week will prepare a campaign against US, European and Japanese subsidies and import restrictions on agricultural commodities.

The three-day talks, which start tomorrow, are intended to pave the way for a similar ministerial meeting in Australia next month and a common stand at the September meeting in Uruguay of the General Agreement on Tariffs and Trade (Gatt).

The meeting was first proposed by Thailand following enactment earlier this year of new US farm legislation which has threatened Thailand's rice markets.

Mr Bill Hayden, the Australian Foreign Minister, responded enthusiastically during a meeting with his Thai counterpart, Mr Siddhi Savetsila, in Bangkok in early June.

The 14 countries are: Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay. They describe themselves as non-subsidising agricultural exporting countries.

Many of the countries have suffered losses in export earnings caused by the US Food Security Act, commonly known as the Farm Act. The US is still finding it difficult to move its agricultural commodities on to world markets, but prices have weakened further. Australian wheat and Thai rice are likely to be exported in record quantities this year.

The EEC's Common Agricultural Policy (CAP) comes under fire for its effects on sugar, wheat, beef and dairy products—a list that encompasses produce from most if not all of the 14. Japan is criticised for its import restrictions.

Thai officials say the policies in these industrialised countries have caused havoc among non-subsidising exporters. An Australian Trade Department analysis describes the failure of Gat to cover agricultural trade as "an obvious denial of basic economic rationality and the objectives of Gat."

US and S. Korea resolve trade disputes

BY STEVEN B. BUTLER IN SEOUL

Seoul bows to US pressure and agrees to measures to strengthen patent, copyright and trademark protection and to open further the country's insurance market.

SOUTH KOREA and the US yesterday announced settlement of two major trade disputes, and Seoul announced further measures to avert a third.

The agreements, covering intellectual property and insurance, came at a time when trade friction between the two countries had been approaching boiling point. South Korea's trade surplus with the US doubled to $3.26bn (£2.2bn) during the first half of 1986. Government officials in Seoul yesterday expressed hope that settlement of the cases would help avert further protectionist moves in the US congress.

The agreements also appear to vindicate a US strategy of focusing on specific trade issues and applying maximum political clout. The strategy threatened to backfire in Korea, when the US action provoked an outburst of anti-American protest, but the US seems in the end to have got its way.

After a series of intensive negotiations that began last Autumn the two sides reached agreement on measures to strengthen intellectual property—patent, copyright, and trademark—protection in Korea and to open further the Korean insurance market to US companies. The US had initiated investigations under Section 301 of the US Trade Act that would have authorised Washington to take retaliatory measures if the South Korean government had been found guilty of unfair trade practices.

Seoul has also taken unilateral action to open the domestic cigarette market to imports, which is likely to help a move by the US tobacco industry to initiate another Section 301 investigation. A senior Government official yesterday said the Government plans initially to allow imports to capture 1 per cent of the domestic market, which last year amounted to about 4bn packets, worth won 1.4 trillion (million million) ($105bn).

The Government will submit new legislation to the national assembly on copyrights and patents in September, with the legislation becoming effective on July 1 1987. Ninety days afterwards, Korea will accede to the universal copyright convention (UCC) and to the Geneva Phonogram Convention, which provides international protection for sound recordings.

Works by individuals will be protected for life plus 50 years. Computer programs will be given similar protection under a separate computer program protection law.

The new patent measures, for the first time, provida comprehensive protection for chemical and pharmaceutical products and the new uses of such products, plugging e major loophole in South Korea's patent protection that allowed chemical makers to avoid patent protection by altering manufacturing methods. Protection will extend for 15 years from the date of publication of patent applications.

The US and Korea had been reported close to an agreement for months but this had been held up by a US demand that patent and copyright protection be applied retroactively to works registered abroad prior to the effective dates of the legislation. Korean officials argued that the UCC does not provide for retroactive protection, and that tha Korean constitution prevented any retroactive legal measures in regard to property.

As part of the agreement, however, Seoul has promised to use "administrative guidance" measures in the case of works registered in the US as a means to prevent local companies from abusing the lack of legal retroactive protection. For a period extending retroactively for 10 years in the case of copyrights and patents, and five years for computer software, the Government says it will press Korean companies to pay royalties. The Government's extensive involvement in the economy in effect gives it the ability to carry out the pledge in the absence of any explicit enabling powers.

This retroactive protection is especially important for pharmaceutical products where there can be a long lag time between registration of a new product and production and sales.

Works of translation into Korean currently protected under Korean law, and chemical substances currently in production, however, will not be protected even if registered in the US within the specified retroactive periods.

In the rapidly growing insurance industry, two US companies will be licensed to underwrite compulsory fire insurance (which covers most of the market) and will be admitted into the fire insurance pool in all geographic areas by the end of this month. These are expected to be American Home Assurance and Cigna, which are already operating, at e loss, in Korea. A US insurance company will be licensed to underwrite life insurance by the end of 1986, and the Government has promised to license additional insurance firms to underwrite life and non-life insurance.

The move to liberalise cigarette imports has touched on a sensitive issue in Korea. Korean citizens are currently legally barred from possessing or smoking foreign cigarettes, even if carried into Korea from abroad, and the domestic industry supports small-scale farmers throughout the country. Income from the tobacco industry accounted for 7.5 per cent of national tax revenues last year.

In order to allow for import liberalisation, the legal structure of the national tobacco monopoly will be changed from that of a Government agency to a public corporation, which will continue to enjoy monopoly control over the market. The monopoly will decide what kind of cigarettes to import, and may enter into technology licensing or joint venture agreements with foreign companies.

A Government official said the company would maintain current tobacco purchases from Korean producers, and export at available prices any surplus domestic tobacco that could not be used due to increased consumption of foreign products. Imported cigarettes will face a 100 per cent tariff as well as a variety of special levies. A packet of imported cigarettes will sell locally for about W1,500, about three times the price of domestic cigarettes.

Turkey and Iraq in arrears deal

BY DAVID BARCHARD IN ANKARA

TURKEY HAS patched up an agreement with Iraq about the payment of $1.2bn in trade arrears owed by Baghdad, but Istanbul businessmen say the deal is unlikely to make large scale exporting to Iraq possible in the near future.

Turkey was plunged into balance of payments difficulties when Iraq defaulted on payments last November estimated at up to $1.5bn. Since then Turkish imports of Iraqi crude used to offset Iraq's debits have reduced the total outstanding.

The new arrangement, negotiated last week in Baghdad by Mr Ekrem Pakdemirli, the outgoing under-secretary of the Treasury and Foreign Trade will not bring much comfort to Turkish companies owed money by Iraq or this which would like to resume sales to what was Turkey's largest export market three years ago.

Under the terms of the agreement, 50 per cent of the backlog of payments is now postponed for one year, after which it must be paid in cash. A further 5 per cent will be paid in cash as it falls due, treasury officials said yesterday.

The remaining 45 per cent will be paid for by Turkish purchasers of Iraqi crude.

"I am not expecting anything positive in the near future for trade with Iraq," one Istanbul export company chief said. He said Turkish companies were unable to give the two year credit demanded by Iraq, but said some European companies were doing so. "I believe the Dutch are selling eggs to Iraq on an 18 months credit basis," he said. "That is impossible for us."

Later this month, Mr Mustafa Tinaz Titiz, will fly to Iran to discuss problems Turkey is having with its other warring neighbour which has also been unable to pay for imports from Turkey.

According to Istanbul businessmen, the only new trade being done with Iraq at present is based on some unused letters of credit issued months ago.

The lack of imports from Turkey is likely to increase hardship in Iraq. "We supply most of the basic foodstuffs and machinery Iraq depends on," one businessman claims.

● Turkey is planning to set up textile research centres in four major cities to help improve the quality of its products following recent studies by foreign consultancy groups on the future of the sector.

Turkish textile exports reached $2.2bn last year, but quality control is still seen as a major brake on long term export prospects.

Baghdad hopeful over oil pipeline financing

BY SIMON HENDERSON IN BAGHDAD

IRAQ IS confident of being able to win 100 per cent financing terms for a new $1.5bn (£1bn) pipeline to carry Iraq's crude oil across Saudi Arabia to the Red Sea.

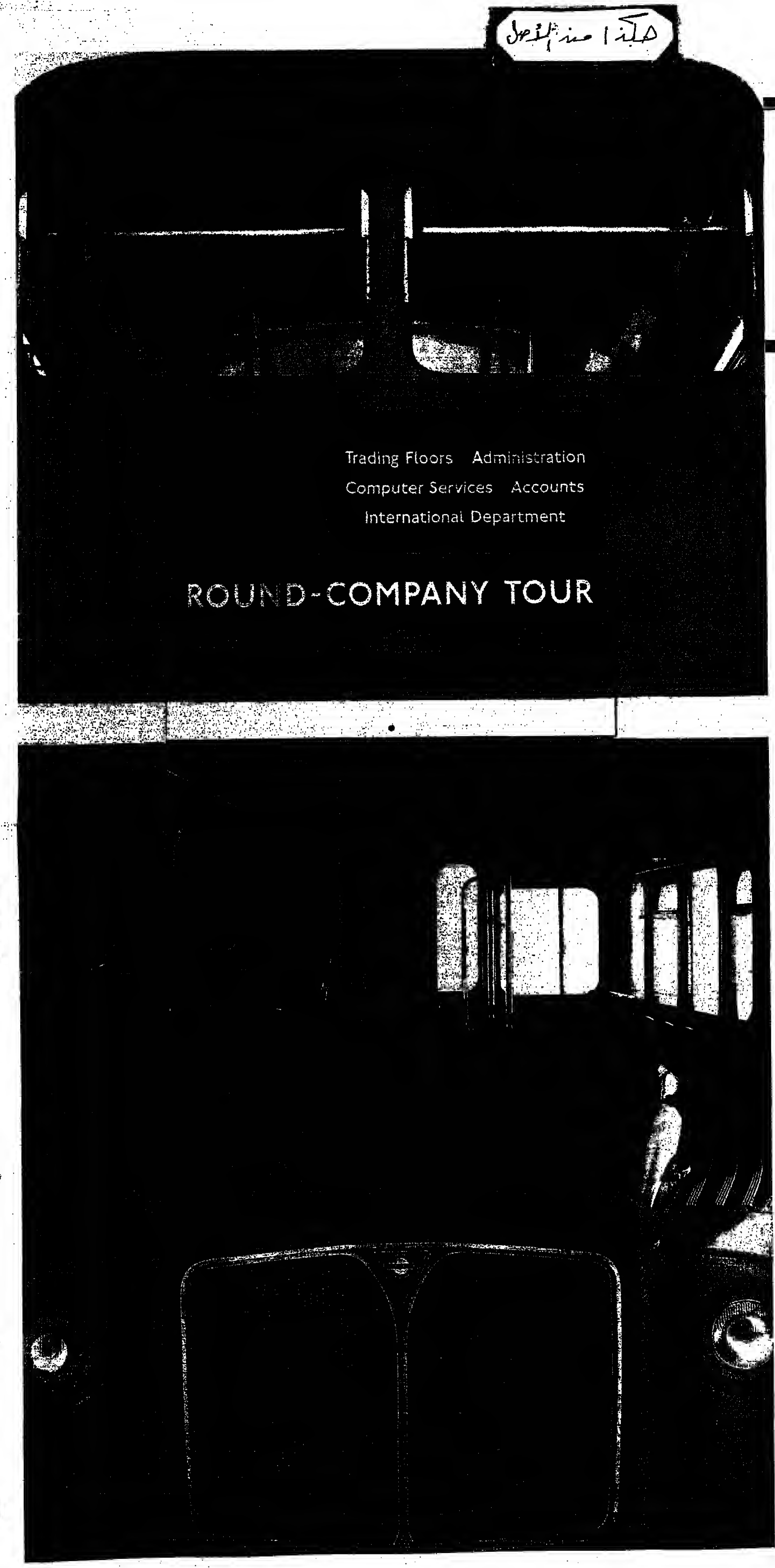
Mr Issam Chalabi, the Deputy Oil minister, said at the weekend that "just as there was a buyer's market for oil, there is a buyer's market for engineering services, and we are getting what we asked for."

A number of foreign consortia are bidding for the contract. Three which have been identified are Mannesman of West Germany with JGC and Nissho Iwai of Japan; Saipem of Italy working with Spie-Capag of France; and Mitsubishi of Japan with Hyundai of South Korea.

With the continuing war against Iran and the fall in the price of oil, Iraq is trying to place as much as possible of its trade and project work on credit terms. Mr Chalabi said the consortium which offered the longest term for payment would win the contract.

At least two unidentified British companies are trying to win part of the business as members of different consortia, using unutilised parts of the £200m plus line of credit with Iraq guaranteed by the UK Export Credits Guarantee Department. The bid date was originally set at August 15, but diplomats now say it has slipped to September 1.

The Iraqis are hoping to sign contracts before the end of the year, with completion of the pipeline within 24 to 30 months. The pipeline will be able to carry 1.65m barrels of oil



IS THIS HOW YOU SEE YOUR COMPANY?

The lack of large vacant buildings in the City has forced company after company to divide its operations into a series of offices, often scattered all over the square mile and beyond.

Needless to say this presents all kinds of problems, as communication and co-operation between different departments becomes more and more difficult and time consuming.

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To find out more, phone Scott Lowry of the Canary Wharf Development Company on 01-629 8878.

CANARY WHARF

It makes sense to go round the bend.

World opening up for London's black cabs

BY ARTHUR SMITH

UBRIGHT, the US-influenced consortium pressing a cash offer for the right to manufacture and distribute London's traditional black taxi cabs would like to see them become as familiar a feature on the streets of cities like New York and Tokyo.

The present owners, Manganese Bronze Holdings, headed by Mr Dennis Poore, once a well known name in Britain's troubled motor cycle industry, can see the potential. But an arrangement set up nearly two years ago under which body shells from the Carbodies factory in Coventry in the West Midlands are sent for assembly and sale in the US has so far proved a disappointment. Sales are little more than 150 a year.

Manganese Bronze points proudly, however, to the 100 cabs sold in the Middle East and the fact that a London taxi is the official car of the Governor of the Falkland Islands.

Metro Cammell Weymann (MCW), the Birmingham (West Midlands) based bus builder that plans to break into the market later this year with the launch of the "Metrocab," was conscious of the need to maintain the recognisable features of the famous black cab in designing its new vehicle.

MCW clearly has an eye on the as yet largely untapped export potential, but seems prepared to build a reputation with the London cabbies over the next two years as the base from which to launch an overseas sales drive.

Common to all three strategies is a recognition of the international reputation of the London taxi. "We have an extremely good product in an extremely good industry," says Mr Jamie Borwick, a director of Manganese Bronze.

The product, an old Austin design, was edged out of the British Leyland empire as more pressing problems crowded in: much of the assembly of the vehicle was transferred from a BL factory in Birmingham to Carbodies in 1972. The sales and marketing rights were handed over in 1981.

Manganese Bronze bought Mann and Overton, the principal London distributor of black cabs, two years ago in a move intended to create a more integrated business.

Mr Borwick argues the acquisition has made it difficult to report a profit trend for the taxi operation. London Taxi International, as the subsidiary is named, made a pre-tax profit of £411,000 on a turnover of £21m in the last complete trading year to July 31 1985.

Ubright, the consortium of institutional and private investors advised by Bankers Trust, argues that returns could be much higher with an injection of management and cash to improve the product and open up new markets both at home and overseas. The consortium suggests sales could be increased in real terms to around £30m–£35m in the next two to three years.

Ubright, although its £6.5m cash offer has been rejected by the board of Manganese Bronze, is urging the bid be put to the shareholders.

MCW decided a couple of years ago there was an opportunity to break into the market. The company, a subsidiary of the Laird group, and an assembler of buses and coaches, was abreast of the latest engineering technology.

MCW felt able to select and mix the best of existing technology, choosing the components carefully and opting for a fibre glass body.

While the consortium waits on the sidelines, the long-established monopoly of Manganese Bronze will be challenged in the market place.

Mr Harry Feigen, general secretary of the Licensed Taxi Traders Association, says: "From the looks of the new vehicle – only slightly different in shape – it should do well."

Nissan's Spain-built Patrol for sale in UK

NISSAN HAS switched the UK supply of its four-wheel-drive vehicle, the Patrol, from Japan to Spain. It hopes that the move will nearly double sales this year, Kenneth Gooding writes.

For the Spanish-built Patrols – which compete with Land Rovers and Range Rovers from the state-owned Rover Group (formerly BL) – qualify as European Community vehicles and do not count as part of Nissan's quota under the terms of the restrictions on shipments from Japan to the UK.

Nissan has also improved the specification of the Patrols and increased prices substantially, reflecting once again the push up-market being made by most of the Japanese vehicle producers.

All Patrols now have a five-speed gearbox an entirely new interior and improved rear springs. Prices go up from between 10 and 14 per cent and now range from £10,596 (up from £9,596) to £13,196 (up from £11,595).

Nissan UK, the privately owned importer, sold 491 Patrols, mostly built in Japan, last year. Now the vehicles are free from import restrictions, it hopes to sell between 700 and 800 in 1986.

The Patrols are built by Nissan's 86 per cent owned Spanish subsidiary, Motor Iberica. Nissan UK also imports two sizes of van from Iberica, the medium-sized Vanette and the full-sized Ebro Trade van.

● The UK importer of the Isuzu Piazza Turbo sports car from Japan is to increase the price next Sunday by 7 per cent, from £11,950 to £12,450 "because of the strength of the dollar against the Japanese yen."

☐ OIL companies which invest in research and development will be given priority in the forthcoming Tenth Round of offshore oil and gas exploration licences, Energy Minister Mr Alick Buchanan-Smith has promised.

The main reasoo for pressing ahead with the round, despite the precipitous decline in oil prices, was to maintain the momeotum of exploration in the North Sea and to help the supply industry, he said.

☐ INFORMATION and expertise on national parks will be exchanged under a unique co-operation agreement signed jointly in London and Washington. "There is a growing interest in the US in the systems of conservation and recreation which have been developed in the national parks and countryside in England and Wales," said a spokesman for the Countryside Commission.

☐ NEARLY a quarter of the power stations in England and Wales, including six of the nine nuclear plants, are to be opened to the public in September, the Central Electricity Generating Board said. The announcement coincides with a widely publicised open doors campaign at the Sellafield reprocessing centre in the north-west of England.

☐ A TWELVE FOOT high corrugated iron fence has been erected between Roman Catholic and Protestant homes on a housing estate in Belfast, Northern Ireland, hit by sectarian violence. More than 30 houses have been damaged and 25 families from both communities forced to leave their homes.

☐ WORK has started on the proposed £1.5bn development of Canary Wharf in the Isle of Dogs Enterprise Zone in London's Docklands, where an international banking consortium led by architect and developer G. Ware Travelstead is planning to build more than 12.5m square feet (1.16m sq m) of offices.

☐ THE Bank of England has found a buyer for another portion of the Johnson Matthey Bankers group which it rescued nearly two years ago.

The group's New York commodity futures brokerage subsidiary, Johnson Matthey and Wallace Inc., is to be bought by Mocatta Futures Corporation, which is part of the Mocatta metals trading company owned by the Standard Chartered Bank.

The Bank of England has said that it expects to recover in full the £100m it invested in JMB to ensure its survival.

Girobank seeks £100m home loans business

By David Thomas

NATIONAL GIROBANK, the Post Office's banking subsidiary, hopes to attract £100m of business in its first year of offering mortgages across Post Office counters.

This figure was revealed by Mr Malcolm Williamson, Girobank managing director, after the Post Office's annual report, published yesterday, confirmed that Girobank would be offering mortgages in the autumn.

Mr Williamson said that mortgage applicants would be told instantly whether they would get a mortgage from Girobank by dialling a telephone number, after having picked up initial information from a Post Office.

He said he expected that many of Girobank's almost 2m current account holders would be interested in switching their mortgages.

Sir Ronald Dearing, Post Office chairman, said in launching the annual report that the Post Office intended to spend £200m over the next five years on information technology such as computers, excluding the first phase of counter automation which would account for a further £80m over that period.

Having completed the programme for the mechanisatioo of 80 letter sorting offices, the Post Office will be introducing machines for optical character recognition and improved sorting of letters and packets.

However, Sir Ronald described as a "big constraint" the Government's limit on capital spending, which stands at £96m for the current year. He said the Post Office's financial performance for 1985–86 was "satisfactory." The postal business made a current cost profit, after interest and before taxation, of £136.8m on a turnover of £3.159bn.

Turnover increased by about 3 per cent on the previous year on a consistent 52-week basis, despite the mid-year cut of 1p in the price of a second class letter, thanks mainly to a 5.9 per cent growth in the volume of letters.

The postal business repaid £74.7m to the Government, against its external financing limit target of £70m.

Medical venture funded by Boots

By David Fishlock, Science Editor

BOOTS, the drugs group, is making a $5m investment in medical diagnostics, in the belief that a major new market is opening for new ways of diagnosing diseases and other conditions, based on doctors' surgeries.

The cash will be used to accelarate research and development at the Slough (near London) laboratories of Boots-Celltech, the joint venture established by Boots and the new bio-technology company Celltech, in 1983.

Boots sees a growing US market for rapid and accurate new medical tests based on the British discovery of monoclonal antibodies.

With these tests, doctors will be able to diagnose infectious diseases, heart conditions, pregnancy and other medical conditions in a matter of minutes, without using expensive equipment.

The offer from Boots pre-empted company plans to raise more venture capital for its expansion, said Mr David Gration, chairman of Boots-Celltech and commercial director of Celltech.

Company confidence in the new market is supported by the latest report of the Government's Advisory Council for Applied Research and Development (Acard), on medical technology.

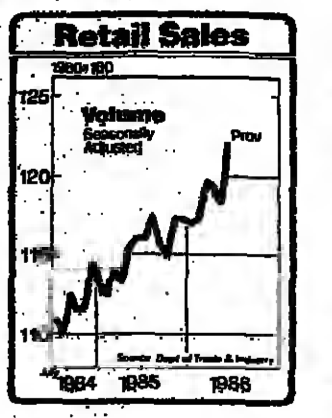
Retail sales volume up to record levels

BY GEORGE GRAHAM AND DAVID CHURCHILL

SHOPPERS CROWDED back into stores last month with money in their pockets, starting a sales boom in the summer sunshine.

Fine weather in June helped to boost retail sales volume to record levels, the Department of Trade and Industry (DTI) said yesterday. Sales rose 3.2 per cent from the previous month and 5.3 per cent from June 1985, according to provisional estimates.

The strong upturn in retail sales, far greater than had been expected by most analysts, was viewed in the City of London yesterday as the first indication of the more buoyant economic growth that is expected in the second half of the year.



Sales appear to have been strong in all major retailing sectors, with clothing and footwear particularly lively. Smaller retailers also appear to have caught up with the larger chains.

Shoppers' spending power has risen steadily, as earnings have continued to rise at an average of 7½ per cent a year while inflation has slowed to 2.5 per cent a year. The cut in mortgage rates which took effect on June 1 put more money into homeowners' pockets, while consumer credit has continued to be buoyant.

The DTI's provisional retail sales figures are subject to revision and have, over the past 12 months, differed from the final figures by an average of 0.28 per cent. In addition, many retailers have questioned the picture they presented of the pattern of sales earlier this year.

The May and June figures are thought, however, to be more realistic, whereas March and April were felt to have much weaker months for retail sales than was indicated by the DTI's statistics.

The volume of sales in the three months April to June stood 1.6 per cent higher than in the first quarter of the year and 4.3 per cent higher than in the same period of 1985.

The cash value of retail sales in June is estimated to have been 9 per cent higher than in June 1985. So far this year, the average value of sales has been 8 per cent higher than in the first half of 1985.

The Retail Consortium, which represents the bulk of Britain's retailers, said yesterday that the June figures "reflected the reality of the buoyancy in consumer spending."

A spokesman pointed out that, according to reports from Consortium members, retailers were generally more optimistic about spending than they had been in the spring.

Retailers gave several major reasons for the improved June spending performance. Lower mortgage rates and the weather were given as key factors, however.

"There was a lot of catching up of sales of summer fashions which were hit by the poor weather in the spring," said the consortium. All fashion retailers reported that consumers who had held off buying clothes and footwear until the sun actually came, responded to the warm weather by buying up stocks.

Sales of fashion clothes were also helped by the start of the summer sales in many stores and these went well, according to trade reports.

Harrods, the Knightsbridge, London, store, which started its sale earlier this month, reported that takings were some 2 per cent higher at £12.75m in the first four days of the sale, compared with the same period last year.

PREPARATIONS UNDERWAY FOR LARGEST NON-GOVERNMENT SHARE OFFERING

Mid-September float for TSB

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE FLOTATION of the Trustee Savings Bank (TSB) is to go ahead in mid-September, eight months behind schedule because of delays caused by legal actions.

Sir John Read, the chairman, announced yesterday that an advertising campaign on TV and in the press that was begun last year but interrupted after the flotation was challenged in the courts, would be resumed to attract more than 1m shareholders.

This would make it the largest non-Government offering of shares in the UK market, he said. The pricing of the issue by Lazards, the TSB's merchant bank, will not be made for several weeks. But it is expected in the City of London to value the TSB at more than £1bn.

The approval was made possible by the recent ruling in the House of Lords that the assets of the TSB belonged to the bank itself and not, as some litigants had claimed, to the depositors. This enabled the Government to vest the TSB's assets in a new public limited company at midnight on Sunday. The new company, TSB Group plc, is the one that will be floated on the stock exchange.

TSB officials admitted yesterday that the timing of the issue will not be ideal because the promotion will coincide with the holiday period. But Sir John said: "We want to get on with it." The TSB is also keen to get the flotation through before the City's Big Bang on October 27, and the sale of part of British Gas in November.

The sale could still be challenged by depositors in the Court of Human Rights in Strasbourg on the grounds that their rights had been expropriated. But Sir John said the Lords ruling had deemed that the depositors had no rights. The TSB has spent about £1m on legal fees during the court action, including the costs of the litigants themselves whom it funded in order to obtain a ruling on ownership at the highest possible level.

About half the shares on offer will be earmarked for TSB staff and customers who opened accounts before December 17 1984. These number about 7m people. They have to register their eligibility by September 5, pointing to a possible flotation date the following week. The TSB is also keen to attract other shareholders, and has set up a share information office.

Sir John said the shares would be priced at a low enough level to enable a very large number of people to buy them. Payment will also be in two stages, half at flotation, and half a year later. More special offer features will be announced nearer the time.

Talks start on North Atlantic air capacity

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE UK is hoping for a new agreement with the US on the control of airline capacity – the number of *seats offered – over the North Atlantic air route*, in talks which began in Washington yesterday.

The discussions are aimed at giving a new period of life to Annex Two of the Anglo-US Bermuda Two air agreement, which governs how much capacity the airlines of both countries may offer on the route.

While Bermuda Two itself is an ongoing treaty, governing all other aspects of civil aviation relationships between the two countries, Annex Two, which specifically *relates to capacity control*, expires at the end of this month.

Unless a new agreement on Annex Two can be reached before then each country's airlines will be free to put on whatever number of seats they choose, in a fierce battle for traffic.

This would benefit the US airlines, which are stronger, and more numerous (over a dozen), than the UK airlines of which there are only three, British Airways, British Caledonian and Virgin Atlantic.

Removal of capacity controls would also suit the US Government, because of its current emphasis on deregulation of air services both internally and on international routes.

The UK Government and the UK airlines are anxious to see Annex Two renewed, even in a revised form. The UK operators have suffered this year from the down turn in US-originating traffic on the route and are in no mood for an even fiercer battle for customers.

Previous meetings between the two countries' negotiators have achieved little. The US has made it plain that it does not like Annex Two, and would be happy to see it lapse.

The UK has sought to widen the scope of the discussions, to include other matters such as freedom for the UK airlines from US anti-trust laws.

Eastman to set up PET plant in Britain

By Tony Jackson

EASTMAN KODAK of the US is to move into the European market for PET, the fast-growing plastic used for fizzy drinks bottles, with a 50,000 tonnes a year plant at Workington in north west England.

The move brings Eastman, which claims to be the world's biggest producer of PET, into head-on competition with ICI, the leading producer in Western Europe. ICI's PET capacity has risen by 30,000 tonnes in the past year to 65,000 tonnes, and the group claims around 50 per cent of the European market.

Eastman is also expanding capacity rapidly in the US, where PET (polyethylene terephthalate) was introduced in the late 1970s, five years ahead of Europe.

ICI said "our strategy is to stay market leader in Europe, and to do that we want to retain 50 per cent of the market. We intend to move to 100,000 tonnes of *capacity in the* next two years, and Eastman moving in with an extra 50,000 tonnes by 1988 won't change our plans."

ICI estimates European consumption of PET last year at close to 90,000 tonnes, and expects the figure to rise to at least 110,000 tonnes this year. By 1990 the market is expected to be between 220,000 tonnes and 250,000 tonnes.

Ferry groups seek Channel fares pact

BY ANDREW TAYLOR

SEALINK UK and Townsend Thoresen, the two largest cross-channel ferry companies, are to seek British Government permission to enable them to offer an integrated cross-channel service with a common pricing policy and a substantially reduced combined fleet.

The two companies yesterday emphasised that they would continue to operate separately on the cross channel routes, but would need to streamline and integrate their short sea services to combat competition if the Channel Tunnel opens as planned in 1993.

As a first step, Sealink and Townsend Thoresen want to be released from commitments to the Office of Fair Trading (OFT) which prevents ferry companies from agreeing joint prices.

The two companies intend to offer an improved service, but operating substantially fewer ships if the tunnel goes ahead. Sealink UK and Townsend Thoresen at present have 18 vessels, including five hovercraft, sailing from British ports in an arc between Ramsgate and Newhaven to ports on the European continent from Zeebrugge in Belgium to Dieppe in France.

The French arm of Sealink owned by SNCF, the French state-owned railway, has a further six vessels operating across the Channel.

Mr Charles Lenox-Conyngham, chairman of Sealink, said last night that the combined cross Channel fleet could be reduced by 1993 to as few as five large ferries, requiring no reservations and departing at 30 minute intervals during peak periods between Dover and Calais.

He said the two companies, which were separately approaching the Government, wanted to be released from their OFT commitments from next year.

Townsend Thoresen said it would not consider full scale integration of services until 1993, but it would be prepared to consider mutually agreed timetables before then. It had no plans to reduce its fleet before the tunnel opened but said it made sense for ferry companies to adopt a united front against the tunnel.

It said no discussions had taken place with Sealink on the likely size of cross Channel fleets. The company recently placed orders worth £85m for two new large multi-purpose ferries capable of carrying up to 2,400 passengers.

Sealink said that the ferry companies in return for their release from OFT commitments would agree not to raise prices above present levels until 1993.

Sealink and Townsend Thoresen which are shortly to appear before the House of Commons select committee hearing evidence on the Channel Tunnel Bill, are seeking compensation from the Government if the tunnel goes ahead.

Mr James Sherwood, president of Sea Containers, which bought Sealink UK for £66m from British Rail in 1984, said that demands for compensation from Sealink could be as high as £100m.

He also did not rule out a claim for damages against the British Government over the sale of Sealink, whose profitability would be seriously damaged by the opening of the tunnel.

The Government has been threatened with legal action over the Channel tunnel.

Sea Containers said that when it bought the Sealink ferry service from the Government it was given the "strong impression" that no tunnel was planned.

It said it saw a case for claiming compensation on the grounds that the Government had issued a false prospectus.

Games boycott nations may face £2m penalties

BY RICHARD EVANS

COUNTRIES boycotting the Commonwealth Games in Edinburgh – 27 so far – are to get a £2m bill to make up the cash shortfall their absence is causing.

The proposal, announced by an angry Robert Maxwell, the games chairman yesterday, underlines the growing impact the boycott is having on the games and its finances. Mr Maxwell also threatened to bill the UK Government if the games lose a lot of money.

"These governments who have boycotted the games have caused us a great deal of inconvenience and loss ... I am a little fed up with being on the receiving end of this," he said.

The Maxwell plan is to send the absentees a cancellation fee based on the number of competitors a country had intended to send.

He also admitted that certain sponsors were either pulling out of the games or were thinking of doing so.

Asked whether he thought it realistic for the boycotting nations to pay for their actions, Mr Maxwell said that "Nigeria, for example is a proud nation. It is only proper they pay us the little bagatelle they owe us."

Seychelles, Cyprus and Sri Lanka joined the boycott yesterday. At present 28 countries have competitors installed in the games village and the maximum number of countries likely to compete is 31.

A decision on whether Annette Cowley, the South African born swimmer, will be eligible to compete for England in the games is expected today. Miss Cowley is seeking a High Court declaration overturning a ban imposed by the Commonwealth Games Federation.

Michael Cassell writes: The Queen will today have her regular weekly meeting with Mrs Margaret Thatcher, the Prime Minister, against a background of continuing speculation and controversy on a possible constitutional clash over South Africa.

As Sir Geoffrey Howe left via Europe for his first, crucial meeting with President P. W. Botha in Pretoria, Downing Street was trying hard to defuse the fresh wave of speculation about relationships between the monarch and the Prime Minister arising out of the Government's handling of the South African situation.

The Prime Minister's office refused to discuss a weekend press report suggesting that the Queen was increasingly concerned about several major elements of Mrs Thatcher's policy, including South Africa. Downing Street let it be known, however, that it had been aware that such a report was going to appear and that it had been discussed before its publication, with Buckingham Palace.

With the number of countries withdrawing from the Commonwealth Games rising, amid threats of legal action by the organisers to sue for losses, ministers were anxious to repeat the view that the games boycott would not stop the Government from its latest attempt to get the South African Government into constructive discussions.

INTERNATIONAL LAW

Liability for Chernobyl

By A. H. HERMANN, Legal Correspondent

LAST SATURDAY, the Soviet Politburo accepted the conclusions of the Chernobyl commission of inquiry that the disaster was due to negligence and, in some instances, to criminal negligence, of local as well as central government officials. Criminal proceedings were initiated against some, others were sacked and the Politburo went as far as to say that Mr *Anatoly Mayorets*, the Power Industry Minister, deserved to be dismissed, though he escaped with only a reprimand.

The Politburo report puts on entirely new and firmer ground what were so far mainly academic speculations about Soviet liability for the injury and damage caused outside its frontiers by the disaster. There is no doubt that like anybody else, the Soviet Government is responsible for its servants' acts and omissions in the course of carrying out their duties.

According to the report, the accident was due to the irresponsible handling of experiments. What appears as gross negligence to the commission would no doubt be viewed as outrageous recklessness if rumours that the containment vessels and structures of the reactors did not meet the minimum standards of other countries are true.

In addition to liability for negligence, there appears to be liability for failure to take steps which could reduce the adverse consequences or help the afflicted states to take timely preventive measures. There was no forewarning of the experiments and no immediate information after the accident.

The applicable rules of international law have been much discussed recently, particularly in France and West Germany.* Neither the Paris Convention on the liability towards third persons in the field of nuclear energy concluded in 1960, nor the Vienna Convention on the liability for nuclear damage of 1963 were signed by the Soviet Union, so one has to consider international rules of more general application.

The Soviet Union, and the Ukraine separately, adhered to the 1979 Geneva Convention on Long Range Transboundary Air Pollution. Though this Convention, in force since 1983, has no provision about liability of member states, and does not deal specifically with radiation, it refers to air pollution in general and establishes certain principles applicable to any pollution of the atmosphere which has international effects, even to such types of pollution which we cannot envisage at present. The OECD 1974 recommendation on principles concerning transfrontier pollution (document C), which preceded the conclusion of the Convention, defines pollution as the introduction into the environment of deleterious substances or energy, and this would cover radiation.

The Convention provides in Article 5 for an exchange of information and consultations on application by countries which are or might be substantially affected. After the Chernobyl disaster, information was provided only long after the radioactive clouds had reached other countries. This was a breach of Article 5 of the Convention for which the Soviet Union can be held liable even if the Convention has no specific provisions about liability.

> It may be impossible to enforce any damages, but the Soviet Union might find it in its interests to comply, at least partly, with its international liabilities

Soviet liability follows also from the fundamental rule that a state which causes damage to another by an act or omission contrary to international law is liable to restitution, damages or satisfaction—"one of the principles most deeply rooted in the doctrine of international law and most strongly upheld by state practice."†

No country may engage in activities on its territory which cause another state substantial and unusual damage. This principle has become part of the customary international law through numerous international agreements and decisions. Liability for negligence or internationally illegal acts is explicitly laid down in the UN 1982 Convention on the Law of the Sea, and more generally by the UN International Law Commission in its codification drafts on state responsibilities.

International law seems also to impose stricter requirements on information than those which can be derived from the Geneva Convention. This follows from a number of declarations and recommendations concerning the planning of activities capable of leading to environmental pollution. The OECD recommendation C (77)28 in particular, requires the country which is the source of environmental pollution to provide appropriate information on pollution affecting or threatening the territory of another state "on its own initiative or at the request of the state concerned."

Going still further, agreements between the Nordic countries as well as the German-French Convention of 1981 concerning nuclear accidents impose on the signatories the duty to issue warnings over events or accidents which might lead to radio-active pollution on the territory of another state, and so do the guidelines in Resolution 2 of the 1982 Montreal Conference of the International Law Association.

These issues are viewed as particularly urgent in West Germany, not only because it is nearer to the accident than other members of the European Community, but also because under Article 38 of the Atomgesetz, the German Government has to pay out immediate assistance to farmers and traders who suffer adverse consequences. The payments made and likely to be made in Germany are substantial in themselves, but if one tries to add up the damage in other countries, particularly also in Comecon countries, they are likely to amount to billions of pounds, while the long-term damage is almost impossible to assess.

There seems little doubt that the states affected by the consequences of the Chernobyl disaster have claims in damages against the Soviet Union. Enforcement is another matter. Even the strongest claims in international law cannot be satisfied without the co-operation and consent of the Soviet Union. Even if these claims were taken to the International Court of Justice in The Hague, this could help only if the Soviet Union recognised the competence of the court to decide the issue. But the Soviet Government is unlikely to do that.

However, a friendly solution by some sort of arbitration or more probably through diplomatic negotiations seems not altogether impossible. In the case of the Soviet Kosmos satellite which crashed in Canada, the Soviet Union agreed to meet half of the Canadian claim for $3m. The claims from the Chernobyl disaster are likely to be so enormous that no more than a goodwill payment can be reasonably expected. But even this may help the worst affected and contribute to the development of a branch of international law in which the Soviet Union should be as much interested as other countries.

The Conference of the International Atomic Agency convened for September in Vienna should provide an opportunity to clarify member governments' responsibilities for damage caused in other countries by accidents resulting from peaceful use of nuclear energy and to provide ground for new agreements which would make the enforcement of damages easier. Such measures should not be seen as a means of retribution against countries where nuclear catastrophes of the Chernobyl type occur, but rather as a deterrent.

While many governments find it easy to ignore damage caused to their own citizens, an efficient international machinery for adjudication and enforcement of damages caused in another state would be a powerful incentive to take the best possible precautions and to abstain from dangerous experiments.

* *So particularly Dr Alfred Rest, on whose article [1986] Versicherungsrecht, 609-620; Heft 25(A) the author has drawn heavily.*

† *PIC Series A No 17 page 29—Factory at Chorzow.*

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MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Corporate venturing

Reflecting on what is socially good

"BUSINESS is business is business." Not many big companies today would agree with Milton Friedman's view that their only social responsibility is to increase profits so long as they stick to the rules.

For a growing number of them are now coming round to the belief that good business practice should also include some kind of local community involvement. Nothing illustrates that shift more clearly than the explosion in the past five years in the number of big industrial groups pouring money and management into assisting small businesses.

Their efforts in Britain have been mostly concentrated on building a national network of 250 or so enterprise agencies, private and public sector partnerships which provide advice and training. Pioneered at the end of the 1970s by a handful of groups like BP, Shell and Marks & Spencer, this is the only area of small business development where the UK leads the world, and has provided a model for similar organisations in France, the Netherlands and West Germany.

But after their first rush of enthusiasm for helping small businesses in the community, many big company sponsors are now examining critically what they meant to get out of the exercise in the first place and where to go next.

Most of them like to be thought of as being driven by enlightened self interest—a feeling that it makes sense to contribute to the health of domestic markets by trying to tackle the over-riding social problem of unemployment. Yet to some extent, as some privately admit, there is less to that argument than meets the eye.

Take Marks and Spencer, one of the most active enterprise agency sponsors. "We will spend £1.5bn between now and 1990 on building new stores. That will employ a lot more people than our social responsibility budget, which will come to maybe £2m to £3m over the same period," points out Alan Dent, the group's community manager.

Clearly, the intangible value of being seen to be doing good plays an unspoken part, as does political prudence. "If business does not justify itself now, it's going to be in trouble. A lot of companies are asking these days what a Labour government's attitude to all this would be," points out Brian Wright, director of London Enterprise Agency (LEntA), one of the first and most successful of the agencies.

Others feel a more closely defined responsibility to help create jobs in regions where they have been making redundancies. BSC (Industry) has been providing soft loans and property in steel closure areas for over 10 years, setting a pattern followed by British Rail Engineering, British Coal, and similar to Elf Aquitaine's attempts to stimulate small business in its areas of retrenchment in southern France.

But whatever their reasons for wanting to pursue social responsibility, big company sponsors are now reaching an important watershed in their small business assistance programmes. They can take pride in the fact that they have established an enterprise agency movement believed to be helping to create around 75,000 jobs annually, a good return on their £21.5m funding last year.

The questions several leading corporate sponsors are now debating include whether their approach to small business development could be better structured, whether they are providing the right help to the people who can use it most productively and how the enterprise agency movement might be better organised.

Allied to all this is the challenge of the way to handle the roughly 1,000 executives who form the backbone of the enterprise agencies by spending periods of secondment from big company sponsors in advising budding entrepreneurs. The first generation of secondees has now returned, bringing with it the problems of reintegrating into big companies people who have spent the previous few years learning to think like small businessmen.

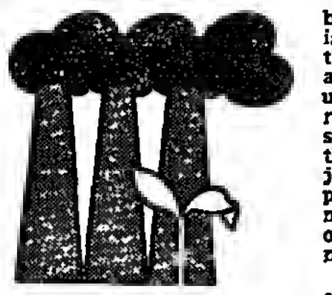
However, the main anxiety is to do with the way to lend direction to this very diverse collection of small business assistance bodies. Wright explains: "The worry is that there is a tendency for different companies to back different ideas so that you have a welter of small projects without the clout to produce results."

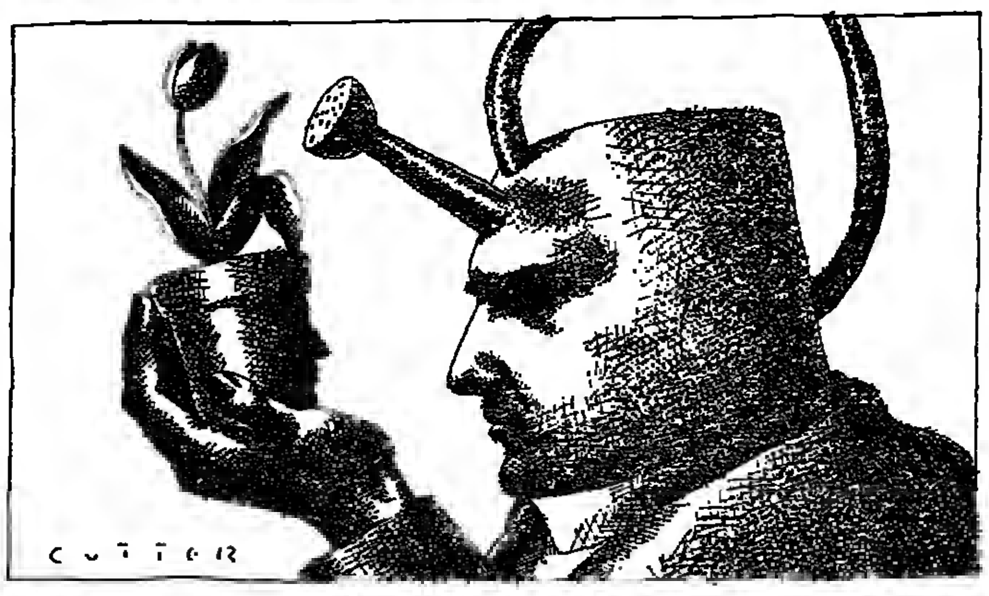
Some sponsors, like BP, ICI and IBM have tried to get round this problem by preferring to back only small business projects near their own offices or plants where they can have some management influence. Others have found this approach impractical, especially clearing banks with their huge branch networks. National Westminster, for instance, supports 95 enterprise agencies, but only has direct management involvement with 16 of them. IBM, by contrast, supports 32 just.

Meanwhile, a few agencies are learning to avoid duplicating their efforts by working together, a prime example being the way the newly established East Kent Enterprise Agency sub-contracts small business counselling to staff from the more established Portsmouth Area Enterprise.

Henry Durowse, manager of Shell's enterprise and education unit would like to see company chairmen being given responsibility for specific problems or even geographical areas—an idea which Lord Young, the Employment Secretary, is believed to have received with enthusiasm.

William Dawkins, in the last in this series, finds that many big companies are questioning the efficiency of sponsorship aimed at aiding communities





A second concern is whether enterprise agencies' traditional emphasis on helping start-ups is really the most effective way to create jobs. A growing body of sponsors is trying to shift focus more towards helping already established businesses to grow. These kinds of enterprise, they argue, are likely to be the most effective job creators.

"We have to realise that most small companies stay small. That is why, while continuing to support start-ups, we have tried to focus our efforts more on expansion," explains Robin Heal, manager of community projects for BP.

BSC (Industry) is another to have realised recently that there is more to job creation than throwing cash, book-keeping advice and a workbench at the unemployed. It has just recruited six management consultants to advise recipients of the £22.5m it has invested in job creating ventures and enterprise agencies on the skills needed to manage growing, as opposed to brand new businesses.

Roger Thackery, chief executive of BSC (Industry), says: "Until recently, we were very much motivated along the lines of providing finance, premises and generally making the grass greener. That has been successful to a degree, but we have identified a need to widen the whole thing out to develop management skills."

Most big businesses interested in job creation have tended to concentrate their support on providing managers on loan to community projects. These are typically either older executives being seconded on the way to retirement or those in their late 20s being sent out for career development.

Ideally, the benefits of secondment should work both ways. "We get back people who are radically changed. They have learned to stand by their own mistakes and to make decisions without massive company support. For many of them, it is the first time they have taken total responsibility," says M & S's Alan Dent.

However, slotting secondees happily back into the organisation after their return is another matter. "It's extremely difficult. The people they have left behind them are sometimes not even aware that they have been away. It is a great culture shock," says Dent.

There is also the problem of secondees worrying that their jobs might not even be available when they return. BP's Robin Heal explains: "We like to see secondment as a step on the career ladder. But we are still contracting, so younger staff are concerned about what happens behind them when they go outside."

The question marks hanging over secondment point to the heart of wider concerns over the continuity of big company support for enterprise agencies and other small business projects. It is no accident that enterprise agencies have built up their proportion of paid full-time directors, as opposed to secondees, from almost nothing to 60 per cent over the past two years.

They have done this partly because cash sponsorship is easier to come by than management sponsorship—but even funding has become a source of worry for some of the less successful agencies. "When they started sponsorship, many companies thought that this was a two-year thing to get over a short-term problem . . . It is very difficult to get over the message that this is a long-term commitment," says Ralph Spreckley, head of operations for Business in the Community, the enterprise agencies' umbrella organisation.

Some agencies, like LEntA and its counterpart in Watford, Hertfordshire, have tried to make themselves more financially secure through property development or through commercialising their advisory services. The Government has also done its bit with last autumn's announcement of grants worth £2.5m to match pound for pound funds raised by agencies from the private sector.

Yet most agencies cannot be sure of their existence for more than a year at a stretch because that is how their corporate sponsors—which account for roughly half the movement's funds — organise donations. One rare exception is IBM, which has singled out enterprise agencies for three year reviews from a corporate community programme that is normally reassessed annually.

But despite the problems and anxieties, the signs are that showing a sense of social responsibility to small businesses has achieved enough momentum among big ones to keep going for some time yet. The past year has seen new announcements of soft funds for budding entrepreneurs from Shell, Rank Xerox and Sir Philip Harris. Burton Group chipped in with the present of a couple of warehouses at the turn of the year. Sainsbury has just started converting a store in north London into workshops with LEntA and plans in the autumn to announce a package of small business measures, revealingly with a high priority on management education. Says LEntA's Brian Wright: "I am a lot more cheerful than I was three months ago."

Risk capital

A widening role

ATTITUDES among the French to risk capital have changed "quite remarkably" in the last three years, according to Michel Biegala, head of the French subsidiary of Investors in Industry (3i), the UK institution which takes stakes in small and medium sized businesses.

Since 1983, when 3i first set up its French operation, companies have come to realise that they have to increase their capital, both in response to very high interest rates, and also because lower inflation has put an end to their ability to repay borrowings in depreciated money, says Biegala. Also, allied to the need quickly to fund new product launches, French patrons no longer take such a narrow view of their company solely as their own patrimony. "They are looking for a partner—and the track record of 3i is a useful reference," he says.

Now, 3i is expanding its business in Continental Europe with the opening of a subsidiary in West Germany.

Biegala, who is also in charge of the move to the Federal Republic, says the institution's Frankfurt-based subsidiary should in particular help to promote Franco-German corporate ventures.

Biegala has built up the group's French portfolio over three years to 25 company participations worth FFr 66m at cost (£6.35m), and says he is hoping German operations can expand "at the same rhythm" as in France.

The group's French company now has seven operational staff (plus one half-time employee) compared with three when the subsidiary was set up in 1982. Capital—entirely subscribed by the parent company, owned by nine London and Scottish clearing banks and the Bank of England—is being raised from FFr 100m to FFr 200m to give the French subsidiary additional funds for fresh expansion.

The Frankfurt subsidiary is being established with capital of DM 50m and three investment staff. Following a line also taken by the state-owned Compagnie Financiere de Suez financial group, which earlier this year set up a joint corporate venture with the Munich-based Matuschka group, Biegala says companies in France and West Germany face a specific need for investment institutions to promote corporate links between the two countries.

Concerning 3i's purely French operations, Biegala says the group is on target to build up to a total portfolio of perhaps FFr 500m, based on 100 to 120 investments, over its first 10 years. This compares with 3i's total 2,400 equity investments, built up from its base in Britain over a period of more than 40 years, mainly in unquoted companies, valued at £666m.

3i in France has concentrated on "development capital" investments in companies with proven track records, rather than in the more risky business of promoting start-ups.

Biegala says that in spite of the large number of institutions now looking to put funds into start-up ventures in France, "we have found only very few attractive opportunities" in this area.

3i has also found opportunities for financing management buy-outs much less propitious than in Britain. Although the previous Socialist government brought in measures in July 1984 giving tax incentives to managers taking over their own businesses, Biegala complains that the fiscal conditions are too tight.

In practice, only employees within the company can benefit from generous deductions which allow interest payments on loans financing the operations to be offset against tax. Biegala says he would be able to organise far more buy-outs if the Government allowed external purchasers also to benefit from deductions—a concession the Finance Ministry is unwilling to make, for fear of providing an undue number of tax loopholes.

The bulk of 3i's 24 French investments has been for amounts of FFr 2m to FFr 5m, mainly representing minority stakes of around 20 per cent.

The portfolio includes companies in a range of activities including pharmaceuticals, distribution, textiles and industrial equipment, as well as three placements in other risk capital institutions — Soffinova, HEC Partenaires and Siparex. Average age of the companies is 10 to 15 years.

With several larger deals in the pipeline — a few involving unit stakes of as much as FFr 15m to FFr 20m — Biegala sees the size of individual stakes increasing to an average of FFr 4m each from FFr 3m at present.

David Marsh

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TECHNOLOGY

Geoff Charlish on £8m teach-in for European manufacturers

Major players line up behind automation standards initiative

EUROPEAN manufacturing industry is about to be given a sharp reminder of the urgent need to get to grips with automation standards.

In December, the UK Department of Trade and Industry, with the support of 60 of the biggest makers and users of automation equipment from Europe and the US, is to mount an £8m public demonstration of manufacturing automation protocol (MAP).

MAP is a world-wide initiative, led by General Motors of the US, to encourage automation equipment makers to use standards. It consists of a set of software and hardware specifications for factory communications based on international standards nearing finalisation in the International Standards Organisation (ISO) in Geneva.

These standards relate to an "open systems interconnection" (OSI) model which allows items like computers, programmable controllers, robots and other shop floor systems, regardless of manufacturer, to communicate at all levels.

December's event, the first such demonstration in the UK is aimed at prodding European manufacturers into giving more attention to the communications aspects of advanced manufacturing.

It will be held in Birmingham and takes the form of a sponsored "teach-in". Called CIMAP (in which "CI" stands for computer integrated), it will not be a traditional "exhibition plus seminar" event, but will be structured, leading the visitor through a learning process about manufacturing communications.

Project management has been contracted to Coopers and Lybrand, the UK accountancy/consultancy group, and Electronic Data Systems, the General Motors computing/communications subsidiary, will act as "network systems integrator."

Most manufacturing experts are now agreed that MAP and OSI are essential if integrated, computer-controlled automation is to be achieved. According to Coopers and Lybrand its use should result in 10 to 20 per cent savings in advanced manufacturing project costs and a 5 to 10 per cent reduction in production costs.

Products can be brought to market more quickly (GM is claiming two years maximum for a new car) and above all, increased quality is obtained because control of the shop floor is better. Moreover, production engineers can choose the vendor systems best suited to their needs.

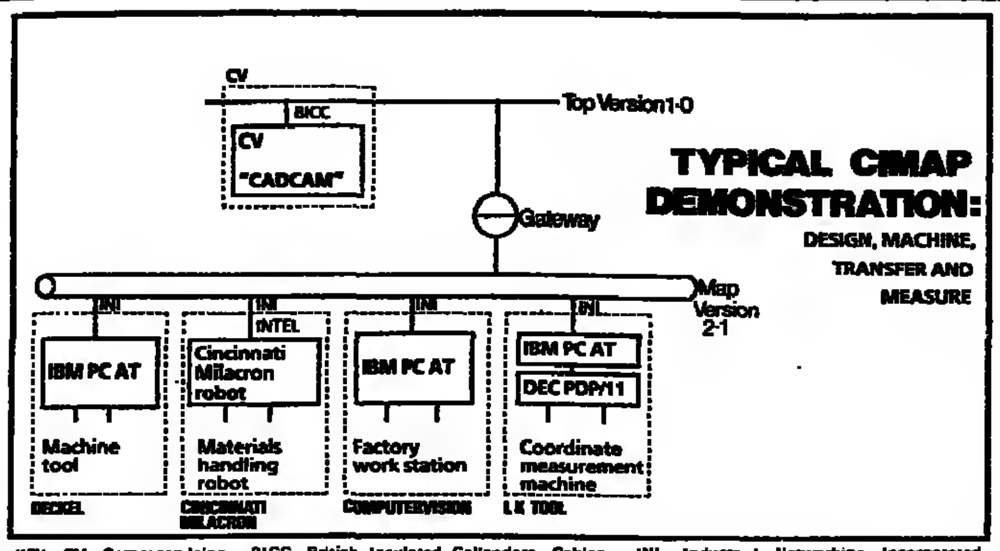
Participants in the December demonstration will include British companies, GEC, ICL, British Aerospace, Tube Investments, Ferranti and British Telecom, together with a number of UK subsidiaries of US companies like IBM, DEC and Motorola. These names alone indicate that support for MAP in the UK is likely to be universal before long.

The ISO model on which MAP is based uses seven "layers," covering everything from the electrical characteristics of signals sent down cables to the way information is arranged in particular applications.

The need for MAP and the ISO standards springs from the fact that although British industry, for example, is spending nearly £1bn a year on computers, their application has been piecemeal. The position is similar throughout the rest of Europe.

Most firms have bought machines for specific purposes, often starting with payroll and accounting. Then perhaps they have moved on to computer-aided design, or computer control of machine tools, or planning and estimating, or production line control with programmable controllers. There may be various microcomputers carrying out other specific tasks.

The integration of these "islands of automation" so that they can "talk" to each other in a fully integrated production line or a complete plant, is impossible without writing expensive conversion software and setting up specific communications links. This is because each computer company uses its own communications protocol. However, although "single vendor" solutions allow straightforward integration, users are then in the hands of a single supplying company and the various components of the solution may well not be the best available.



KEY: CV, Computervision. BICC, British Insulated Callenders Cables. INI, Industrial Networking Incorporated. DEC, Digital Equipment Corporation. IBM, International Business Machines. PC AT, personal computer model AT. MAP, manufacturing automation protocol. TOP, technical office protocol.

WHAT CAN BE LEARNED AFTER PASSING THROUGH THE 'SHEEP DIP'

A SIZEABLE segment of the UK and US advanced manufacturing community is turning out for CIMAP which will be held at the National Exhibition Centre, Birmingham, from December 1 to 5.

As well as MAP, the Boeing parallel initiative for factory and design offices, TOP (technical office protocol) will also be explained and demonstrated.

There will be demonstrations concerned mainly with the networking aspects of MAP and TOP, together with a dozen application demonstrations each with an industrial theme. But visitors will not come into these "cold." They will first go through what Coopers and Lybrand are calling "the sheep dip," a kind of educational preliminary with 10 minute videos and a printed guide to MAP.

● The network demonstration will show how the various elements of MAP are connected, how the broadband cable system works and how MAP talks to TOP through special "gateways" provided by US companies Motorola and Charles River Data. Basic MAP networking will be provided by another US group Industrial Networking (INI), while UK concerns GEC and ICL will be joining US companies Concord Data Systems, NCR, Gould Intel and Stratus to supply other networking components.

Among application demonstrations:

● Durr, the German industrial washing system company, Tube Investments and Malthous Hunter, the UK automatic guided vehicle company, are co-operating in a demonstration in which parts will be machined and automatically moved to washing and storage areas.

● ICL, STC, Motorola and Reflex Automated Systems & Controls will show how design data on TOP can be fed to a visual inspection cell on MAP via a gateway. The cell will suitably handle an automotive component and will be receiving programs for robot movements and inspection tasks from a CAD/CAM (computer aided design/computer aided manufacturing) system.

● IBM and DEC of the US currently vying for pole position in manufacturing computing, will play each other at chess with robot-moved pieces two feet tall. But more seriously, IBM will demonstrate gearbox assembly over the INI MAP network segment, while DEC will design and manufacture over the Charles River Data (CRD) system. (INI and CRD have slightly different interpretations of MAP, but these are likely to be resolved, it is understood, during 1986.)

● Deltacam Systems (a British CAD company), Sun Microsystems (workstations), British Aerospace, British Telecom, Keeling Metrology co-ordinate (measuring machines), Dean Smith & Grace (machine tools), GE (US) and CAP Industry, the British software systems house, will demonstrate how TOP and MAP can be used in a sub-contract machining company, such as a supplier to the automotive or aerospace industries.

● LK Tool Company, of the UK, Computervision, Cincinnati Milacron, of the US, and Deckel, the German machine tool company, will deploy TOP and MAP to demonstrate integrated design and manufacture. Original design, manufacture, materials handling, and inspection will be embraced.

● In the electronics manufacturing segment, Hewlett-Packard, the UK CAD Centre, Texas Instruments, Marconi and CAP Industry will co-operate to show how circuit board design, process planning, in-circuit testing, repair and manufacturing equipment can be united over MAP.

● ICL, NCR, British Olivetti, and Intergraph, the US CAD company, will demonstrate a TOP factory office system embracing design data transfer, order processing and electronic mail.

● There will be several demonstrations showing how additional services such as video and audio can be run over the broadband MAP network. For wide area working, Britain's Lion Systems Development will demonstrate how international data links can be used. The company will bring in data from the GM Technical Centre in Detroit.

Plenty seams still to be tapped as the gold rush continues

FILM AND VIDEO

by John Chittock

IN THAT land of high market research, the US, there is one group of citizens who apparently have a number of interests in common—wine, bowling, tennis, photography, motorcycles, property investment, computers, and electronics. These are the principal interests of the average American VCR owner—according to a survey by National Demographics and Lifestyle.

Of 20,000 VCR owners surveyed in the US, 60 per cent were found to be in the age range of 25-44 years. The inference from this that there is an untapped market for video among older people is not disputed by most available research—although another unexpected claim from the US, based on different surveys, is that churchgoers also have a lower level of VCR ownership. It seems that video has yet to excite the interest of the sedate, the spiritual or the cerebral.

Information of this kind hypnotises the marketing men in the video industry, who are forever trying to anticipate what programmes will do well next year.

Some research, however, needs to be treated with caution. A new report in the UK—**Corporate Video—A Shot in the Dark?** (Media Development)—claims that too many organisations are spending large sums commissioning programmes without measuring their effect. And that of 100 organisations surveyed, 64 per cent were using video mainly to promote sales. But this is contradicted by other evidence such as an analysis of 357 entries at this year's industrial film and video festival in Bristol—which reveals that of the video programmes, only 22 per cent were concerned with sales. Applications by industry now range across a wide field, with internal communication, training and public relations among the major areas of usage, as well as selling.

The criticism that companies are not measuring the effect of video is fair enough, but it is a problem as old as the industrial film itself. The documentary structure of such material is not amenable to the surgical precision of the TV commercial, and the fragmented nature of its audience (measureable only in thousands not millions) is not amenable to sophisticated methods of mass media research.

Some research into industrial applications has been done, however, not least on investigation into the effects of the industrial film in changing unconscious attitudes—conducted by this column in 1967 and published as a report by the **Financial Times** under the title **Film and Effect**.

The buzz word today, however, is not film nor even corporate video but interactive video—and researchers are trying to discover just how effective this medium is as a communications tool. Some of the earliest investigations into the effectiveness of interactive video go back as far as 1979, when Florida's Department of Health and Rehabilitative Services in the US adopted an interactive video disc programme for pre-service training.

The University of West Florida devised and evaluated the programmes and discovered that those trained with the help of interactive video had a higher pass rate on written tests (66 per cent) than others (50 per cent).

The evidence for the efficiency of interactive video grows, as for example in a more recent study made at the Open University (OU) in Milton Keynes in Britain—whose Institute of Educational Technology evaluated the OU's own now famous "Teddy Bear" disc, an educational programme about materials science and based on a court case about defective eyes in a manufacturer's Teddy Bears.

The OU study found that three quarters of the students tested found the programme made them think about things they were unsure about, voting it a good way to learn. The open-ended format of interactive video was also well-liked. But the density of information and ways of accessing the material was found to involve long stretches of concentrated work (perhaps unsuited to contemporary youth).

The research which the industry most eagerly seeks, however, is into the consumer market, the VCR penetration in particular. While it may be important for a video distributor to know that 50 per cent of TV homes in UK will have a VCR by the end of this year (from *Screen Digest's* six monthly up-date), it may be more important to know that France, trailing at 25 per cent, is now making up for lost time, as is the US—44 per cent by year end, and a 12 per cent rise on the 1985 figure.

Obviously information of this kind is crucial to those responsible for marketing plans. The message for consumer video is clear—growth opportunities lie in France and the US; but also Italy (by end year a mere 7 per cent of TV homes) and Spain (21 per cent).

The cinema industry in France may find comfort from the low penetration of VCRs—only 9 per cent of people recently surveyed there cited video as a reason for not going to the cinema. But France will not be able to hold back the tidal wave which Columbia Pictures in the US has found in a study commissioned by them—60 per cent of VCR owners rent movies, and 75 per cent of Americans never go to the cinema.

Perhaps some non-attenders are the new generation of video viewers. Other American research, from Scholastic Productions, claims that children's programmes accounted for 13 per cent of all home video sales in 1985.

Video clearly remains a booming business. More research in the US—from Magnetic Media Information Services—sees a four-fold increase in worldwide sales of videocassettes over five years from the 1984 figure of nearly 600m.

Video is perhaps the most bullish of all the moving picture industries. With the uncertainty surrounding DBS (direct broadcasting satellite), cable and even conventional broadcast television, it is somewhat surprising that video has been nudged out of the UK headlines in recent times. There are signs, nonetheless, that the rest of the media business is taking another look at video—realising that the gold rush of the past few years was perhaps only a local affair.

THE ARTS

Bolshoy Ballet/Dublin

Clement Crisp

To house the Bolshoy Ballet in Dublin, where the company began its long-awaited return visit, a sometime agricultural hall was given a temporary face-lift and transformed into a theatre—and a by no means unconvincing one—seating 4,000 people for four performances at the end of last week.

Arena ballet of this kind knew a real popularity during the 1940s in Britain and America, when stars like Markova and Dolin could attract a massive public, but no one since then has had the artistic or commercial bravery to try to make it viable. London will become reacquainted with it in late August when the Bolshoy Ballet can be seen, after its Opera House season and regional tour, in a marquee in Battersea Park which will seat 3,700 people. Dublin flocked to the performances which showed the Bolshoy in buoyant form, supremely dedicated to the dance. The company needs to be seen on a stage as generous as this; they, in their turn, provide the force of emotional communication which reaches out to inspire a huge and eager audience.

Saturday night's Divertissement programme — one of two that are set for the tour — comprised the extended items of *Les Sylphides* and the second act of *Spartacus*, with a closing fire-work display of duets and solos to show off the company's stars. The *Sylphides*, for all that it was seen in so spacious an area, convinced because of the sustained and warm legato of the company style which can hold the equivalent of a danced pianissimo without appearing thin in tone or over-refined.

There were certain approximations to what we know as the Fokine text, but everywhere a largeness of phrasing, superb in Natalya Bessmertnova's account of the *grande valse*, respected Fokine's imagery. What British dancers show as fey or dainty, the Russians make joyously weightless and serene. Bessmertnova was well partnered by Yury Posokhov; her companion sylphs were Nina Semizorova, and the delicate Nina Ananiashvili in the first waltz, where her dark-eyed romantic beauty and gentle poses recalled photographs of Karsavina in this ballet. Ananiashvili gave the choreography an impulsive ease and lightness that were irresistible.

The *Spartacus* extract — the ever-exhilarating view of the slave hero leading his men in triumph against Crassus—drove irresistibly across the stage, with Irek Mukhamedov a new hero, and Lyudmila Semenyaka his Phrygia. Both artists offer a concentration of emotion and dance so clear and so tightly focused that their choreography has a burning directness. They were given the right malign opposition from Boris Akimov's arrogant Crassus and the lustrous passion of Maria Bylova's Aegina.

The items in the closing *divertissement* were largely those on which I reported from Vienna during the Bolshoy's Easter season there. Solor's variation from *La Bayadère* bravely done by Mikhail Tsivin; the Indian Dolls from Grigorovich's *Nutcracker* showing the best use I know of the *Danse Arabe*; *Spring Waters* in full flood, and as intoxicating as one could wish with Maria Bylova and Leonid Nikonov. The Black Swan adagio was performed with staggering bravura by Alla Mikhalchenko, Alexey Fadeyechev partnering her with a distinction inherited from his father; the last act *Coppélia* adagio was neatly done by Erika Zusina and Yury Posokhov in a text very like that which we know in Britain.

A rarity came with the pas de deux from *Le Talisman*, a late (1889) Petipa spectacular which has been restored by Pyotr Gusev, the veteran ballet-master. The Drigo score contains a pretty waltz; Nina Semizorova as the heroine, Niriti, is outfitted with a shift and some pretty steps, and is pursued by Yury Vasyuchenko as Vayou, God of the Winds, in harem trousers and *grands jetés*. It is not wildly coherent, but fascinating. The second lyric duet for Rita and Boris from *The Golden Age* was done with consummate feeling by Natalya Bessmertnova and Irek Mukhamedov, who can do no wrong as they celebrate the final union of the lovers in Grigorovich's ecstatic yet tender dances.

The closing blaze came from Andris Liepa, flying high as the hold pirate in *Le Corsaire*, turning impeccably, and then ready to swoon at the feet of Lyudmila Semenyaka as Medora. As who shouldn't, when faced with a classic style of such beauty. The rare and lovely thing about Semenyaka's performance is not the obligatory nonsense of technical display, but the clarity of her poses, the academic beauty she brings to a simple diagonal, so that in her performance we know the spiritual as well as the physical harmony and truth of the classic dance.

Takács Quartet/Wigmore Hall

Richard Fairman

A generosity of spirit was the ballmark of this recital. It was the second programme that the Takács Quartet bad given at the Wigmore Hall last week. Those who attended both remarked that the artistry nf the playing was equal on each occasion, though the audience on Saturday had the good fortune of a cooler summer's evening on which to enjoy it—a benefit mnch appreciated, as the programmes offered a bountiful selection of music.

It is not just that the quartet chose tn play three very substantial pieces. But in each of those scores they found a wealth of musical material, to which they responded with a wida range of tone colours and variety of emphasis. Nothing that they do is blank in expression: even the two Minuet movements, by Haydn and Mozart, showed a hand that was always quick to shape new moods or ideas in interpretation.

The Mozart work in qnestion was the String Quintet In G minor, K 516. Here the Takàcs Quartet—joined by Dénes Koromzay, veteran viola player of the Hungarian Quartet—built up a performance of elegiac, lyrical power. The opening movement was less agitated and intense than some others (the Amadeus, for exampla) have made it, but the unexpected mnted tone that Gábor Takács-Nagy bronght to the violin'a last pbrases of resignation was typical of the insights It included.

Tha members of the quartet all studied in Budapest. This ensured an nnthentic fire to tha "alla Hungarese" music in the alow movement of the Clarinet Quintet by Brahms. But then the wholue work, with Michael Collins as the clarinettist, had a strong undercurrent of darker, passionate feeling. The quartet have, understandably, already had a great success in the music of Bartók and there should be more full houses at the Wigmore Hall, when they come back to perform bis quartets in the autumn.

Forest of Dean Sculpture Project/William Packer

Work in progress in the woods

As part of a year-long programme to mark its ailver jubilee as a major force in British art, the Arnolfini in Bristol not unnaturally has wished to include a somewhat more lasting memorial to its achievement. The Forest of Dean Sculpture Project, in which It has cojoyed tha support of tha Forestry Commission, is the fruit of that wish and now all but complete. Six artists were commissioned to make major works for aites as permanent as time and nature will allow, of their own choosing, and the last of them is to be installed around the end of this month.

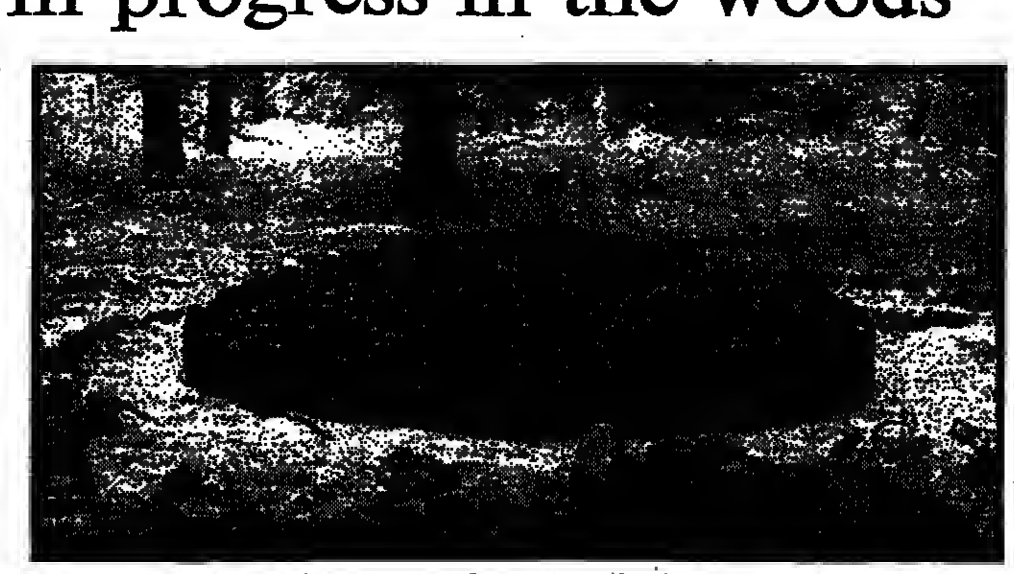
The Forest of Dean 'n a magical and still surprisingly extensive remnant of tha ancient forest, ricb in custom, lore and industry that go back even to Roman timas. Tha relics of iron smelting, coal mining and charcoal burning now withdrawn beneath the vegetation, to be stumbled on as chance will have it, and the artists were free to pick up on such referencea and suggestions. But the Forest Itself, perhaps, was their true and living subject, inescapable.

The works are set out in a wide, loose circle, widely spaced in the beart of the Forest within easy reach of the Speech House Hotel and the picnic sites on the B4226 between Coleford and Cinderford. The full circuit, up and down hill through mixed woodland and npen heath, takes about two hours, for each work has its particular qualities to consider and each place its own peculiar spirit. The path is soon to be discreetly posted for some of the sites are comparatively secret, but this is not meant in any sense to bring it all together as an exhibition.

Each of the works is quite self-sufficient and may just as well be taken in ones or twos as all together.

My own tour began at the one still empty site a few yards north of the road beyond the Speech House towards Cinderford, where Kevin Atherton will soon set up his *Cathedral*, nine panels of stained glass strung high up against the sky across tha open east end of a long, high aisle of pine trees. It is the place itself which makes the metaphor, the artist who responds, and indeed to stand beneath those trees In tbat dappled light, with vision closed off by a wall of undergrowth away on either hand, is to sense at once the space and scope and the chill hush of a true cathedral.

Off then down the lane and through the woods for half a mile or so, over a gate and across the bed of the old railway, and there in the centre of an open glade below the embankment, canopied by oak trees, sits the mysterious *Black Dome* of David Nash. He exhibited a smaller version in his show at the Jnda Rowan Gallery earliar this summer, but this is the large and definitive statement of tha Idea, some 25 feet ecross, a tigbt succession of concentric rings of charred larch stumps set into thet ground rising from a mere inch or two above the ground et tha perimeter to nearly 8 feet at the centre post.



David Nash's Black Dome under construction in the Forest of Dean

To approach it we move past the remains of the fire Nash built to prepare his timber for the work by a process consciously close to that of the old charcoal burners of the Forest. And from the conjunction we get the strongest sense of sculpture as natural process, cause and effect, means and end. The nearer we are to It, the more Impressive the work is, ambiguously powerful and even disturbing In the hold it has upon the imagination and yet very beautiful, gleaming so black against the rich green of the fresb bracker beyound. Nash sees the work as baving a natural span, a term that will see Is slowly melt back into the earth under the infinences and forces of nature and the weather, constant change and slow decay. Already the spiders and the beetles have moved in.

Lower down still, in the water-logged grass beside an old water cbannel, be has Installed an extra and more secret work, rather hard to find down a steep bank and down again into a secret bollow. Seen from high above, five small roughly-shaped boats, again charred black, set sail from their steep shore across the tiny sea of grass beneath wbich growth so soon they must disappear.

Back again to the road and along the old railway about 100 yards to discover just beyond the gentle curve Kier Smith's *The Iron Road*, wbich of all the works is the most direct and obvious in Its local and historical reference. Twenty sleepers have been laid back across the track at their proper interval with the mountings for the rail itself restored, and deep into the centre of the npper surfaca of each ona, in quite high relief, has been carved a simple and yet admirably refined symbolic image. It might be a feather, book, leaf or pennant, a wheel, a boat, a cloud, factory, boat, pot or spear, that individually might represent the forces of nature or the forces of man. Taken together, however, the meaning grows more ambiguous and more poetic for this is no simple polemic. And it too in its own way speaks of change and the passing of time, of renewal and decay, of the forest itself througb which men come and go.

Another walk up through a dark plantation and out onto a hillsida with a wonderful wide view down and across the Cannop Valley to the rigbt end suddenly wa are aware of the largest and most extraordinary of all the sculptures, sitting on the crest of the hill np to onr left. Magdalena Jetelova's *Giant Chair* is a structure as massive as it is simple, seven members in all, its back the most basic two posts and a lintel from which tha two arms and two lega come forward in wonky alignment. There is no seat. Made of full trea trunks weigbting many tons, it stands wall over 20 feet high and dominates the open hillside over which It sprawls. It Is both awesome in Its physical presence, reducing the lively schaol party that had caught up with us to near silence, and yet oddly banign. It is already a landmark and within only a year or two will surely become the badgeo f tha Forest itself.

On again across the flank of the bill to the noisiest but most charming of tha works, *Mellissa's Swing*, by Peter Appleton, that sings and tinkles by its own movement or the encouragement of the breeze. Long metal fronds hang down from e metsl canopy high on the rope above that throws back the sound to the swinger below, as agitated at times as a flock of more musical starlings or the merest susurration, as of wind through the grasa. It is a lovely thing, unselfconscious, direct and delightful.

And so back along the road towards the Speech House to tha final sculpture, *Inside-Out Tree* by Andrew Darke, which is a work as satisfying in Its actual monumentality as it is simple as an Idea. A single log, abont 15 feet tall, has been spliced down its length into segments as regular as possible, and then reconstituted as a close ring of its discrete parts, the bark side in to form the inner ring, the exposed plane flanks coming to the points that define the perimeter. It stands at the end of a long ride through the woods, as sure of itself as any obelisk in a stately park.

Such in its most most obvious aspect is the Forest of Dean Project. In addilion three current residencies have been established for artists to work in the Forest over the next few months. Two photographic studies have also been commissioned, from Keith Arnatt and Fay Godwin, which have resulted in exhibitions that are now at the Arnolfini. An international exhibitiou on the theme of *The Forest* has also been organised for the Arnolfini, by the critic Lynne Cooke.

Apart from the Forestry Commission itself, funds and help have come from The Elephant Trust, The Carnegie Trust UK, the Henry Moore Foundation, South West Arts, DIY Plastics Ltd and Hartley Wood of Sunderland. Altogether some £50,000 was raised of which 60 per cent went directly to the artists.

Don Giovanni/Glyndebourne

Ronald Crichton

The last Glyndebourne production of the summar is *Don Giovanni*, seen on Sunday in the admired Peter Hall production, directed for this revival by Stephen Lawless. Andrew Davis conducted—Haitink takes over from August 8. With the LPO still buoyant towards the end of a long and varied season, Davis charged Into overture and opening scene with a ferocity not consistently maintained throughout the evenlng. Much highly vitalised playing, also some shivers in the ensemble and an awkward moment just before tha arrival of tha three masked figures.

A strong cast includes Felicity Lott, Lesley Garrett and Richard Stilwell, singing their first Elvira, Zerlina and Giovanni at Glyndebourne. Mr Stilwell as we know is a versatila singlng-actor, alwaya interesting. He seemed unsettled during the early scenes, atriding about like a local Wotan in an uncomfortable frock coet, one of those theatrical garments that managa to look at once too long and too short. Later the usual ease and diatinction of movement returned. There were dry patches, but enougb finely-turned phrases to suggest a potentially powerful portrait, well matched to tbe experienced Leporello of Richard Van Allan.

Felicity Lott's Elvira was rich in the expected vocal finesse, hut the tight hair-do and drawn, almost haggard features, showing the poor creeture perpetually on the edga of breakdown, were a not entirely convincing surprise. Lesley Garrett's Zerlina, already accomplished, is more urban minx than rosy country hoyden. Stephen Dupont (Masetto—British début) is a young American bass of evident promise.

Once again there is the bonus of Carol Vaness as Anna. So generously does Miss Vaness pour her splendid volce into the great recitatlves that ber ariaa sound comparatively placid. The Ottavio of Keith Lewis, solemn as an undertaker, deals mellifiuously with his two solos. The rock-steady tones of Dimltri Kavrakos as the Commendatore give freezing pleasure. A potentially exciting *Don Giovanni*, not quite shaken down.

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Last Thursday, Maria Ewing being indisposed, Anna Steiger sang the heroine of *L'incoronazione di Poppea*. She was replaced in her usual role of Goddess of Virtue by Janice Close. Miss Steiger, I understand, had sung Poppea at one earlier performance. Even so, her polse and assurance were unusual for so young ao artist. Not a phrase, glance or gesture was wasted. The vocal lines were clearly delicately and intelligently moulded: one regretted the instrumental embroidery. There was a suggestion of indifference to what was bappening at a glven moment — justified, because this Poppea's mind was so clearly concentrating on the next atep in ber remorseless climb to power.

Richard Stilwell

The artist centre-stage at Avignon

As at Edinburgh, so in Avignon a major art exhibition, held in the Grande Chapelle of the Papal Palace, has by well established tradition become an integral part of the festival. This year's exhibition, *Peinture et Théâtre 1*, is linked with another in the Maison Jean Vilar, *Les Peintres Soviétiques et le Théâtre 1917-1930*. Together they cover a breathtakingly diverse output by some of the most famous names in contemporary art, working in collaboration with directors, composers and performers.

The centrepiece of the main exhibition is a wooden tower specially designed by Italo Rota erected within the chapel, the slats of which illuminated from above form a series of uniform spaces in which exhibits are hung. At the same time the interior of this structure contains a space comparable to that of a stage proscenium. On one side of this there hangs the backcloth which Picasso designed for the ballet *Parade* devised by Cocteau, and on the other the backcloth designed by Braque for the ballet *Salade* of *Flamet* with music by Milhaud. These two works stop the visitor in his tracks as soon as he enters the chapel; after he has absorbed their impact he notices among other full-size objects, a Calder mobile hanging from the ceiling, a Cyclopean horse by Joan Miro, a drop-cloth for the Swedish Ballet by Leger, and a weird collection of creatures who appear to be made out of gigantic pieces of jigsaw designed in 1973 by Jean Dubuffet for a novel spectacle to be called *Coucou Bazar*.

This playful work is the most recently executed in both exhibitions, coming within two years of the cut-off point. A further exhibition planned for next year's festival will take the theme of art in the theatre up to the present day. Most of this year's exhibits—sketches, maquettes, drawings and paintings—are the product of two movements, the Bauhaus and the Avant Garde, which between them revolutionised the concept of theatre-space.

What is especially revealing when one goes to the Maison Vilar is how mnch of this work continued in Russia in the period just before and for some considerable time after the Revolution—the painter Ignati Nivinski, for instance, designed a beautifully "decadent" abstract setting for a Moscow production of *Turandot* then, as did Eisenstein in 1922 for *Macbeth*. Work of this kind, of which the exhibition offers a generous selection, continued to flourish while strenuous efforts were being made to harness theatrical art directly to serve the Red cause.

Anthony Curtis

A Florentine Wedding Prom

Max Loppert

Nowadays the spectacle of royal weddings is confined exclusively to street parade and church pomp: our present sovereign does not command, as in past centuries and reigning monarch would have deemed only proper, the leading musical, theatrical, and scenographic talents of the land to collaborate in producing stage celebrations appropriate to the occasion.

For this reason, and also because of the great pleasure of the whole evening, the second Promenade concert, at the Albert Hall on Saturday, was a brilliant conception — at once a delightful tribute in song and (limited) stage action to Wednesday's couple, and a delicious demonstration, ever so slightly impudent, of bow things used to be done.

At Florence in 1589 the youngest Medici brother, having ascended to the throne (in suspicious circumstances), married Christine of Lorraine; and for the occasion Duke Ferdinand ordered a brilliant entertainment — the performance at the Uffizi of a set of six *intermedi* (or intermezzos), to be given between the acts of a play.

On these pieces, and under the Duke's strict (and eventually intervening) supervision, some of the richest artistic talents of the town combined. Marenzio, Caccini, Peri, and Malvezzi (among others) composed the music; Count Bardi and the poets Rinuccini and Strozzi the verse; great singers of the day, including Peri himself and Vittoria Archilei, took part; the creator of fabulous scenic backgrounds was the (happily-named) Buontalenti. The whole thing was a triumph, subsequently repeated, and—rare in the history of popular musico-dramatic art forms (which the *intermedi* were)—finally set down in print.

Saturday's performance of all six by the Taverner Players and Consort and the BBC Singers under Andrew Parrott had no play—and the spoken sections of these *Singspiel*-like entities being lost, no dialogue (Richard Pasco and Barbara Leigh-Hunt, suavely civilised speakers both, delivered a linking narration instead). There was no scenery—though the conjunction of hall and performers laid out in the varying necessary formations always provides its own kind of spectacle.

Yet the charm of these little mythological "musicals," all of them carefully linked by Bardi to point to Ferdinand and Christine as the paragons of a new Golden Age, has survived. And, even if not all the music is of the high quality, the best numbers achieved on Saturday the sort of smash-hit success that seemed to throw a link of pleasure across from 1589 to 1986. As sung by Nigel Rogers, Peri's echo-song (in the tale of Arion and the dolphin) was a choice moment of this kind. The very opening song of Harmony (with Emma Kirkby as our own Achilei) was another. The concluding *Gran Ballo*, in whose creation the Duke played a main part, was an elating combination of many forces.

In the history books the *intermedi* tend to be discussed almost entirely as background material to the concurrent creation of Florentine opera. As we so vividly learnt here, that's both right and wrong—in these short pieces the popular roots of the new medium become clear. We are reminded that opera was an elite experiment (in none of the six *intermedi* is there a "difficult" turn of harmony to compare with, say, those of the Messenger in Monteverdi's *Orfeo*).

If there was a fault to an otherwise splendidly controlled concert, it was the lack of strong, popular-theatre projections from too many of the lesser singers. Authenticity here demands idiomatic pronunciation — clear Italian vowels, sharp single consonants and properly contrasted doubles —almost more than anything else.

This was also the outstanding weakness of the Monteverdi *Orfeo* which on Sunday night the Early Opera Project brought to the Proms. As David Murray discussed this in detail after the recent Bath Festival showing, I need only add that we saw and heard more of it at the Albert Hall than he evidently did at the Assembly Rooms; and that, in spite of notable flaws in the staging and feeble singing from several of Roger Norrington's "carefully chosen voices," the shock of the first great opera was greater than ever. Performing *Orfeo* the night after the *intermedi* must have had much to do with it. The pairing represented Prom planning at its most inspired.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

July 18-24

WEST GERMANY

München, Bayerische Staatsoper: Munich's annual opera festival to July 31. The week starts with La Forza del Destino, starring Mara Zampieri, Marjana Lipovsek and Wolfgang Brendel. Le Nozze di Figaro has Delores Ziegler, Helen Donath, Cornelia Wulkopf and Hermann Prey. Also offered Les Contes d'Hoffmann, this year's only new production, by Otto Schenk. The cast includes Neil Shicoff, Friedeliese Schmidt and Cornelia Wulkopf. Other operas include August Everding's production of Die Zauberflöte with Helen Donath, Kurt Moll, Francisco Araiza; Don Giovanni with Cheryl Studer, Angela Maria Blasi and Thomas Allen. One evening is reserved for Douglas Young's ballet Ludwig, choreographed by Ronald Hynd.

LONDON

Royal Opera, Covent Garden: The last two performances of the season are the Così fan Tutte revival (conducted by Gabriele Ferro, with a cast including Karita Mattila, John Aler, Anne Sofie von Otter, and Walter Berry) and, on the last night, a special Prom performance of the disastrous new Fidelio production which marks Colin Davis's last London appearance as musical director of the house.

London Festival Ballet, Coliseum (8463161).

Bolshoi Ballet, Royal Opera House, Covent Garden: Visit opens on Tuesday with a gala performance of Ivan The Terrible. Raymonda the following night may have Ludmila Semenyaka in the lead.

ITALY

Rome: Terme di Caracalla: Rome opera summer season continues with a repeat of last year's successful production of Turandot – but this year with the traditional ending, conducted by Alain Lombard, Eva Marton sings the title role, the young Romanian tenor Vasile Moldoveanu sings Calaf. Lucia di Lammermoor with Edita Gruberova, Ettore Nova, and Alberto Cupido, conducted by Friedrich Haider. (461755)

Verona: Arena di Verona: Aida conducted by Daniel Oren. Natalia Troitskaya sings Aida, Fiorenza Cossotto (Amneris) and Franco Bonisolli (Radames); La Fanciulla del West conducted by Maurizio Arena; Andrea Chenier, by Giordano, conducted by Gianluigi Gelmetti and directed and with scenery and costumes by Attilio Colonnello. Jose Carreras sings the title role, and the cast includes Montserrat Caballé and Renato Bruson. (28151)

NEW YORK

New York City Opera (NY State Theatre): 20 weeks of summer opera including new productions of Werther, Don Quichotte, The New Moon and the world premiere of Anthony Davis's X (The Life and Times of Malcolm X) continues with Die Fledermaus, Carmen, La Bohème, Werther and The Pearl Fishers. Lincoln Center. (870 5600).

TOKYO

Bella Lewitzsky Dance Company (US). Suite Satie, Inscape, Theatre Apple, Kabuki-cho, Shinjuku. (Tue, Wed, Thur) (419 7040).

Mikhail Baryshnikov and Company. The Class, Who Cares, Papillon. NHK Hall. (Mon) (466 3292).

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Tuesday July 22 1986

August is the wrong month

THE FIRST meeting between Sir Geoffrey Howe, the British Foreign Secretary, and Mr P. W. Botha, the South African State President, tomorrow is unlikely to be an easy one. Sir Geoffrey is due to report back to e meeting of Commonwealth Heads of Government in London at the beginning of August. Presidant Botha is scheduled to address his party congress about 10 daya after that.

The timing therefore is not especially fortunate. It ia improbable, to say the leest, that Mr Botha will wisb to be seen to introduce any reforms he may be contemplating under external pressure. On the contrary, be is likely to want to face the congress in a mood of saying that his Government ia standing up to outside intervention.

Equally, any report that Sir Geoffrey brings hack about the prospects for cbange in South Africa is bound to be incomplete. He will be unable to pre-empt the contants of the President's address, wbich in any case will almost certainly he couched in language hostile to those wbo wish to intervene in South African affairs.

Delaying tactics

Nevertheless, the two men are meeting and will do so egain before this month is out. Mr Botha would never have consented if be really did not care whet the outside world thinks or does. It is also possible that he will beve something new to say.

For example, it could go like this. He is thinking sbout calling a general election, which he migbt even announce et tha party congress. His party would lose a few seets, bot not nearly as many as it would bave done a few months ago before the slate of emergency when there was widespread right-wing discontent at the Government's inactivity. It would give him a cbance to reshuffle his Cabinet, rid him of troublesome by-elections and provide a mandste for him to introduce reform in his own way. Besides, be might add, Chief Buthelezi has recently been indicating that the time is ripe for negotiations, and be speaks for a lot of black South Africans, though he, too, is insisting on the release of Nelson Mandele.

On the present timetable a general election is not due until 1989. Bringing it forward would undoubtedly provide new leeway for Mr Botha. It would also create a considerable dilemma for Sir Geoffrey. How far should promises of change to come be taken seriously? The South Africans, after all, have shown themselves in the past to be masters of delaying tactics. And even if Sir Geoffrey were to be convinced thet the promise of reform was sincere, bow far could he sell it to the governments of the European Community which be represents, as well aa the Britisb, end to the rest of the Commonwealth?

Genuine review

The answer is that everything possible ahould be done to prevent the Foreign Secretary's missioo running out at the end of thia month. Quite the best that could happen in the next few weeks would be for the Commonwealth meeting in London to be turned into a genuine review of progress so far and future options. It should not be the make or break affair on aenctions or the future of the Commonwealth that is sometimes threatened. The first week of August—aheed of the South African party congress—is the wrong time to make finel decisions. There is no reason why Sir Geoffrey should not go beck to South Africa to pursue hia negotiations later in the month.

Contingency plans

Commonwealth countries of course will have to be offered something in return for their patience. There is little doubt what it should be. It la thet if by around the end of September there is no real sign of an intent to reform in South Africa, Britain, the rest of the European Community and the other major industrialised countries will go ahead with further economic measures. That is more or less the language of the Hagua communique last month. It was also confirmed by Sir Geoffrey in the House of Commons last week.

It should be seen, however, not only as a warning to South Africa. It is a werning to members of the Commonwealth, too, not to walk oul prematurely. There is still a little time left for talking. Contingency plans for aanctions are under way if negotlations fell. Bnt the climax should not come in the first week of August: dissideot Commonwealth countries cannot effectively impose sanctions on their own.

The Nicaraguan stalemate

SEVEN years on, the best that can be said about the Sandinista Revolution in Nicaragua is that it survives. The glosa has gone from meny of tbe early echievements in public health and popular education, in tackling poverty and in encoureging political debate. Instead it bas become a siege society, wholly caught up in the overriding need to fight the war against the "contra" rebels, armed and backed by the US.

This is a sorry outcome for a revolution boro out of one of the few broad-based popular movements in Latin America that overthrew a corrupt family dictatorship. Not all of the blame cen be leid et the fool of President Reagan'a implacable hostility to whet he regerds as a communist foothold in America'a beckyard. Inexperience, poor judgment and dogmatism on the part of the Marxist-orientated Sandiniste leadership heve elso helped create the present stale of affairs.

New order

The Sandinistas committed the all-too-humen error of being seduced by their initial success and early international acceptance—from, among others, the Garter Administration, wbich saw the overthrow of Somoza aa a vindication of its buman rights policy. As a result the Sandinistas envisaged themselves as standard beerers of a new order, updating the Cuban Revolution of Fidel Castro with a unique political front that combined elements of Marxism, nationalism and militent Catholicism.

By presenting themselves as larger than life, they antagonised and frightened their conservative neighbours. Instead of being seen as e regime striving for social and economic justice in a poor end sparsely populated country, they were perceived as e threat to regional stability. The Sandinistas' beheviour encouraged President Reegan's own exaggerated view of a commuoist threat: a Cube inside continental America. He converted Nicaragua, weak enough to bully, into e convenlent punch-ball to demonstrate his toughness towards communism.

For at least four yeers now Sandinista and US perceptions of eech other heve been seemingly irreconcilable. No amount of privete or public diplomecy, either bilaterally or through bonest brokers in Latin America and Europe, has bridged the gap. At a minimum, President Reagan is determined to force the Sandinistas to the negotieting table with the contras. But by calling the contras "freedom fighters" and now backing them with the promiae of $100m in military aid, he is implicitly willing the overthrow of the Sandinistas.

Real objectives

The Sandinista response has been predictable: to betten down the hatches, become more authoritarian, fan anti-Reaganism and turn further to e grudging East Bloc for support. The contras have been badly mauled in the past 18 mooths and $100m in aid merely involves the US more directly without altering the military balance.

America's allies are rightly uncomfortable with this escalatiog conflict fought by proxy. Although they have concluded thet President Reagan is not to be deterred, they should nevertheless continue to press him on what his real objectives are.

If President Reagan's aim is solely to push the Sandinistas to the negotiating table, there is a very slim possibility that this might work. But the Sandinistas would have to overcome their reluclance to treat with former members of the Somoza regime. The contras for their part would bave to improve their credibility as e coherent politicel force. Above all, the Sandinistas must be convinced that the US is oot out to remove tbem. So long es they believe their very existeoce is threatened, the orospect is one of indefinite war.

PRIVATISING FRENCH BANKS

Now, the counter revolution

By David Marsh

IT could prove a minefield. Returning France's state-owned banks to the private sector is likely to be the most delicate aspect of the right wing government's controversial privatisation programme.

Successful manoeuvring could bring rich rewards for those first to pick their way across. But any false move will have a shattering effect, both on the troops in the field and on their commanders at General HQ in the Finance Ministry.

The issue of government plans to sell off the state's holdings in 65 banking, insurance and industrial groups has already provoked a major test of strength between President Francoise Mitterrand and Prime Minister Jacques Chirac. Mr Mitterrand's refusal last week to sign the decree implementing the sell-off legislation has brought to a head inevitable strains within France's governmental "cohabitation" between left and right. It has forced Mr Chirac to try to rush extra legislation through Parliament next month, or see the denationalisation programme delayed.

The dispute complicates further Mr Chirac's task of deciding on new chairmen to oversee the privatisation of the designated groups over the next five years. The names of the new nominees, details of which leaked out in Paris yesterday, are expected to be formally announced tomorrow.

But the tussle will probably not hold up for more than a month or two government plans to begin asset sales in the autumn.

For a number of reasons, centering on their pivotal role in the French economy, their policies towards generally cossetted workforces, and their need to maintain the confidence of the international financial markets, privatisation of the banks will require substantial delicacy.

Sale of the big industrial enterprises on the privatisation list can be expected to be carried out without undue shock to their own structures or that of the French economy as a whole.

The banks are in a different category. They have a special place in French life, explaining in part why they were nationalised in the first place (the Big Three — Banque Nationale de Paris (BNP), *Crédit Lyonnais* and *Société Générale*—in 1945, most of the rest in 1982).

Their privatisation will require a cultural revolution for the Big Three—now about to break out of a cloying and generally uncreative relationship with their state shareholder which has lasted for more then a generation.

France's banks, which rank with British institutions in second place to the Americans in terms of world-wide presence, are by international standards relatively unprofitable, over-regulated and under-capitalised.

They are already struggling to adapt to the consequences of economic liberalisation and falling inflation at home and the world-wide trend towards financial market deregulation.

Privatisation presents an extra challenge. The path contains plenty of pitfalls, and not a few opportunities.

Politically, privatisation touches a raw nerve.

The banks are potent symbols of power, especially for the Left: "The dominant phenomenon of capitalist concentration, the bank enters everywhere, grabs hold of everything, and devours those whom it is supposed to assist," wrote Mr Mitterrand as leader of the Socialist opposition in 1973.

Mr Mitterrand's decade-old statement underlines the Socialists' belief — unfounded, it turned out—that by taking control of the French banks, they could change society. It also helps explain why the President is now putting up such a struggle.

From a social point of view, the banks are bastions of relative privilege. The Big Three employ between 10,000 and 20,000 more people than the big German banks, which make a considerably higher return on assets.

The prospect of privatisation comes at a time when important changes are already under way in the French banking sector, which has embarked on one of the world's most ambitious programmes to invest in electronic payment systems.

A start has been made in curbing over-manning in a few institutions, and the rise in banks' general costs—although still running at almost double the inflation rate—has decelerated. Yet the workforces in most French banks have faced few of the sacrifices borne by the company's manufacturing industry in recent years.

This heavy investment in boosting productivity will take some time to bear fruit. Meanwhile the inefficiencies of much of the banking system continue to restrain the growth of the French economy.

Because of the high overhead costs of their large retail networks, the Bank of France has calculated that the banks need to charge real interest rates of 6 per cent simply to cover the expense of collecting funds, before allowing for any profit.

Ironically, the fall in inflation, by increasing further the relative cost of collecting resources, has effectively imposed a tax on the banks—which has been passed on to French borrowers in the form of very high real interest rates.

The banks are especially sensitive to interest rate fluctuations because of the low proportion of their profits which come from fee-related commissions. Interest earnings, although now starting to fall, habitually make up about 80 to 90 per cent of gross profits—the highest proportion among banks in the big industrialised countries.

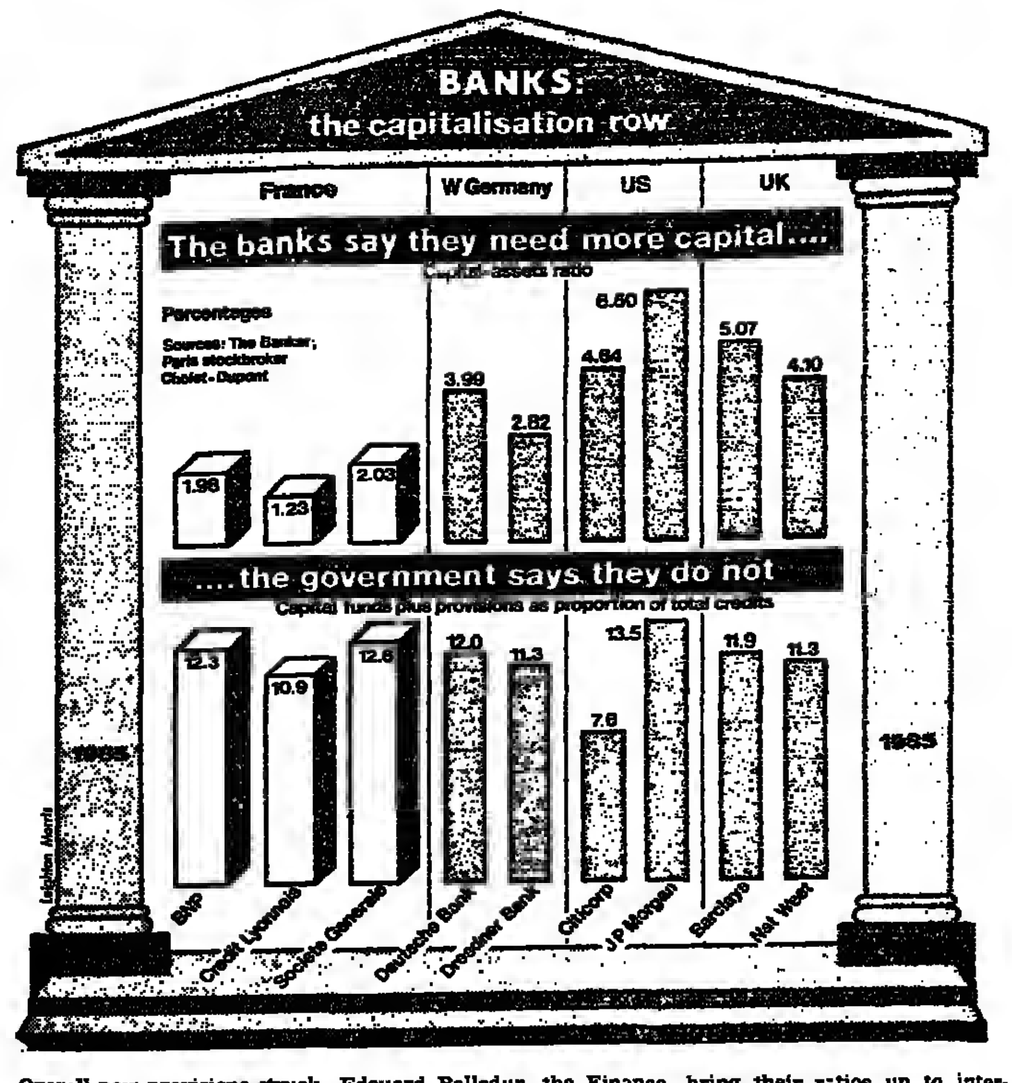
So in 1983-85, the banks were thus given free rein by the Government to rebuild profits and stock up their financial resources, above all by increasing provisions on loan risks. The demands of cutting interest rates or bailing out lame-duck companies were pushed into the background.

The result is that French banks' base lending rate—presently 9.6 per cent, with small company borrowers raising funds at a margin of two or three points above this, is a full seven points above the present inflation rate of 2.3 per cent. This compares with a gap of only 1.75 points (base rate 13.75 per cent, inflation 12 per cent) four years ago.

Although large companies can borrow at close to money market rates (at present more than two points below base rates), smaller companies and individual borrowers face real credit costs much higher than in most of France's competitors.

The other side of the coin is that much-improved provisions, together with a rush to the capital markets to tap private equity (in the form of non-voting shares or *certificats d'investissement*) and other sources of permanent funds, have greatly increased the banks' capital resources compared with four years ago.

Officials in the Chirac government point out that the previous administration actually prepared the ground for privatisation by forcing the banks to pay attention to their capital structure. This was true above all for the Big Three which — apart from a limited programme of share sales to staff made in the final years of the Giscard presidency — had lived without new equity injections since the war.



Overall new provisions struck by the commercial banks during the last three years totalled around FFr 75bn (£7.3bn) — dwarfing by far their declared net profits of only FFr 17bn.

The flow into provisions has partly represented a shelter for profits. In other countries, non-distributed profits would be incorporated as capital — on which the banks would have to pay tax.

The Socialist Government, as part of its economic policy learning curve in 1982-83, recognised that the banks needed capital but that the state was in no position to make the necessary injections.

So, in a remarkable U-turn, it prompted the banks to go to the capital markets for more resources — agreeing implicitly that it would forego a sizeable proportion of the tax revenues and dividends which party officials (while in Opposition) had been sure would be paid in bucketfuls.

The right-wing Government is now preparing to sell the banks, to use the expression of Mr Edouard Balladur, the Finance Minister, in a deliberate move to abandon power. However, the dilemma confronting the state over its role as a shareholder is in a number of ways more acute and complex than it was before.

Finance Ministry officials preparing denationalisation, anxious to avoid any deterioration in the banks' international credit rating resulting from the selling of the state's stakes, conclude from an internal study that capital resources of the biggest banks are now up to scratch internationally.

Counting part of the banks' provisions as capital and making allowance for French banks' far higher proportion of non-risky (but low-profit) inter-bank business compared with US banks, officials say French banks' capital ratios are broadly in line with US standards and only slightly lower than those in Germany.

International central bank regulators — which maintain that provisions cannot be counted as capital — as well as the French banks themselves, disagree with this interpretation.

Customarily expressed, the capital-assets ratio of BNP and Societe Generale is only around 2 per cent. But they are believed by the Finance Ministry to be, along with the better-capitalised Paribas and Suez groups, ready for privatisation more or less immediately. (Credit Lyonnais, by contrast, is felt to need a further injection of equity before it can be placed on the market.)

Both BNP and Societe Generale however take a much more cautious approach.

Top executives from both institutions say that, before becoming fully privatised, they would need an extra FFr 10bn or so in capital resources to bring their ratios up to international standards.

Capital increases of this order, which could accompany a gradual reduction in the state's 100 per cent holding, could take, according to Mr Jacques Mayoux, chairman of Société Générale, about three years to achieve. Mr Mayoux is expected to be replaced when new chairmen are announced tomorrow.

The need for prudence has been underlined by indigestion on the Paris Stock Exchange caused by the record FFr 5.3bn and FFr 4.3bn issues of *certificats d'investissement* made in May by BNP and Credit Lyonnais — a sign that the capital market's appetite for bank paper is certainly not unlimited.

Potentially the most difficult dilemma, however, will be over the question of pricing the banks. Some Paris stockbrokers say that French bank earnings are at present understated because banks up to now have seen maximum advantage in boosting provisions and sheltering earnings in under-valued securities and property portfolios.

On the other hand, some potential purchasers of retail banks are trying to convince the Government that the asking price should include a discount — of up to FFr 1m for each excess employee — to cover the considerable social costs of making workforce cuts.

Steering a middle course between these competing demands will require all the finesse of the Finance Ministry's technicians. And it will ensure that, although banking nationalisation was achieved more or less with the stroke of a pen in February 1982, putting the private banking sector together again will prove a much trickier task.

THE LEAGUE TABLE

Country ranking	World ranking	End 1985	Assets ($bn)
1	6	BNP	123.1
2	8	Credit Agricole†	122.9
3	10	Credit Lyonnais	111.5
4	14	Societe Generale	97.6
5	29	Paribas	72.9
6	74	CIC Group	35.3
7	78	Indosuez	33.1
8	84	Banques Populaires*	30.3
9	98	BFCE*	24.0
10	110	Credit Commercial de France	21.5

†To be privatised indirectly *Not to be privatised Source: The Banker

Men and Matters

A monetarist emerges

Lord Harris of High Gross ia not heading for his bath chair. The perennial enfant terrible of UK economics is determined not to be upstaged by Graham Mather, wbose appointment to succeed him es generel director of the Institnte of Economic Affeirs has been announced.

A mere 61, Harris will continue writing, lecturing and generally proselytising on behalf of the free merket with as much vigour as before. His elevation to the newly-crested post of IEA cheirman will, be lells me, only serve to release bim from the bonds of bureaucracy.

"I will gladly give up dishing out the luncbeon vouchers if Mether's happy to take it on," he adds. "But I'm certalnly not being put out to grass."

In fect, there is no animosity between the two hard-line monetarists. Harris points out thet Mather (now bead of the policy unit at the Institute of Directors) will be 32 when he takes over at the IEA — the same age at which Harris was pitched into the job in 1957. "A beppy coincidence," he says.

The problem for Harris at the IEA was that be intended retiring at 65 and did not want someone taking over at the last moment. The Institute, with only 14 people, has always suffered from manpower shortage and there was no obvions successor in-house. Mather just "emerged," like Lord Home as Prime Minister, and was endorsed as a kind of "understudy" wbo could grow into the role of geoeral director over severel years while Harris, himself, was till around.

One area to which Harris, a self-styled "radical reactionary," intends devoting more time and energy in the future is tbe edncation of the young in the ways of True Economics. One possibility would be the creation of an IEA registry of school lecturers. "It's a question of 'outreach'," he seys. "We can't just stand around io the church waiting for e congregation to come in."

Water-tight

Some "very special summer offers" which the south eastern *division of British Gas is* bringing to the attention of its budget customers are not all that they seem.

A letler, signed by the marketing promotions manager, listing the items available until August 2, asks: "Or how about a power shower for a refreshing, money-saving change?"

When the letter was produced at British Gas's Peckham, London, showroom, the sales staff explained that no price reduction was available on the power shower. So wbat did the reference in the letter mean? —"It's cheaper to have a shower than a bath."

"According to this—the PM is down for the high-jump but its at Windsor not Edinburgh"

Imperial command

A man who has atriven for three years to bring order to the disorderly world of artifical intelligence has been recruited to tackle another chaotic situation. Dr David Thomas, director of knowledge-based systems —a eupbemism for artificial intelligence—in the Alvey Directorate, moves to Imperial College, London, in September.

Prof. Eric Ash, Imperial's new rector, bas recruited Thomas to aort out the commercial side of one of Britain's biggest universities. He wants someone to market the college efficiently, to help him cope with the never-ending cuts in income from the public purse.

Traditionally, Imperial's dons have considerable freedom. Everyone does his own thing—or nothing—to belp earn extra revenue. It has adready led to contracts which give Japanese industry exclusive rights to research, Thomas says.

He knows all about the independence. He was a physicist at Imperial himself in the 1960s. In his present job, he has put more Alvey money Imperial's way than to any other university.

His new task will be to curb some of Imperial's freedom—"s very light rein" as be sees it. He will report directly to the rector. "I would not bave scceptecd the job unless I had the clout."

Already Thomas is thinking of a holding company to bring a degree of cobesion to three existing companies in which the college bas s stake—Imperial Biotechnology, Imperial Software Technology, and Imperial College Optical Services—and any new ones be may help to launch.

Imperator, he thinks, might be a good name for it—one that might command attention in the City as well as South Kensington.

Troughton's call

Dr Peter Troughton, aged 42, has no qualms about leaving the running of a business with £450m annual sales to help direct a £40m investment fund as one of three partners.

"People want to buy solutions to their business problems" he says, "and we want to help start firms that can provide those solutions."

Troughton is leaving British Telecom, where he is chief executive of the young international products division, in order to become a director and partner of Alan Patricof Associates. Started five years ago, it is the British venture capital arm of the MMG Patricof Group in the US.

Troughton will be remembered fondly in the City of London. During a stint as general *manager* of the City telephone area between 1979 and 1983, be brought new high-tech equipment into the financial institutions, and is credited with getting rid of that aeemingly perpetual two-year waiting list for new telepbone and telex lines.

At Alan Patricof Associates be will be specialising in new high-tech products and services —in particular in the communications and computing sectors.

Until now his career has centred on BT. He joined as a technician and got a first-class honours degree in electrical angineering, and later a doctorate, on scholarships while working in telepbones. Yes, be agrees, he owed BT a great desl, "but I've paid it back since."

Whistle test

The Football Association yesterday advertised for two football development officers for Greater London. Applications, it advised, should be accompanied by "the names and addresses of two referees."

Observer

Letters to the Editor

The flows of capital

From the Chairman, Hanson Industries

Sir,—Mr L. Jackson (July 15) is right: exchange controls must not be re-introduced.

In the face of so much evidence to the contrary, it is astounding that there is any credibility for an exchange control policy.

In recent years with these unnecessary and harmful meesures out of the way, British industry has greatly increased its direct investment overseas, especially in the United States. This has been accompanied by a huge expansion in portfolio investment abroad by private and institutional investors. The latter, it should never be forgotten, act on behalf of millions of Britons through their pension schemes.

Any arbitrary control by any future Labour government, designed to ensnare these funds for implausible political projects which could never find voluntary finance, must be resisted at all costs for the sake of the nation as a whole.

It is equally clear that the imposition of what would be universally regarded as panic measures would reverse the very substantial capital flow into Britain from overseas investors, who have played such an important financing role as a result of the more stable business climate of the last seven years.

(Sir) Gordon White,
180 Brompton Road, SW3.

Legislation and pensions

From Mr D. Blair

Sir,—I share Iain Walker's sense of outrage (July 16) at "the plethora of legislation that has engulfed pensions," but I fear that the solution which he advocates is altogether too Utopian.

Of course actuaries and advisers can influence the development of pension scheme design and their creative and innovative ideas should be encouraged but I cannot accept that salvation lies in their hands nor is it right to blame "the pension industry" for the failure to provide pension schemes that are reasonable in the eyes of the members.

All of this ignores the role of the employer who meets at least part and often the entire pensions cost, an expense which is seen as being incremental to the salary and wage bill. Employers should not be blamed for giving a lower priority to improving the lot of employees who leave, instead favouring those who remain in their employment or have retired.

Social engineering like social investing is surely the responsibility of government. It is right to oppose the acceptance of lower investment returns to achieve some social purpose unrelated to the needs of the beneficiaries. By the same token I find nothing untoward in a government having to legislate to improve the rights of people who leave pension schemes.

Since January of this year the pensions of members leaving pension schemes carry statutory protection against the effects of inflation at a higher level than that normally afforded to pensioners, certainly those in the private sector. In these circumstances it is to be expected that many employers will seek to redress the balance and will be prepared to finance the cost of such an improvement without the coercion of legislation. A development of this nature should be seen as part of the gradual evolution of pension schemes in this country, a history that merits praise rather than approbation. We should never forget that there is no cornucopia.

Dennis Blair,
1 Pembroke Road, Moor Park, Northwood, Middlesex.

Japanese trade policy

From Mr K. Shilleto.

Sir,—What your admirable survey of Japan (July 17) failed to make clear is thet foreign trade policy is not so much a dragging of the feet as a series of deliberate mistakes. It is not cynical but totally realistic to view non-tariff barriers for what they are.

When Japan could not produce the goods it does now with such febrile abundance and obvious quality in the 1950s and 1960s, foreign alternatives were not imported but occasionally made under licence — Renault cars, for example. At that time a plausible reason given was lack of foreign exchange. This was partly true as all Japanese reasons for exporting and not importing will bo "partly true."

The trouble is that Europe and the USA are constantly governed by this partiality while not recognising the positive, driving element of Japanese industrial and trading policy, master-minded by Miti, that insists on winning every trick. Perphaps there is an element of Clausewitz in this ingenious smokescreen with which we are blinded and deluded.

Japan has pursued for many years a policy of deliberately attempting to keep world shipping freights for raw materials low. Raw materials, freight and energy, as your reporters remark, being the only structural weaknesses in the Samurai armour. Who recently ordered some 80 bulk carriers on a market alreedy awash with the type? A leading Japanese shipping company, closely associated with a prominent Japanese politician and some time Transport Minister. Anybody who has negotiated iron ore, crude oil or transportation contracts with Japanese principals will ruefully acknowledge a need for dexterity in the handling of long spoons.

K. D. Shilleto,
2 Mulberry Close, Beaufort Street, SW3.

Transfer profit credits

From Mr S. Simpson

Sir,—One incentive for the introduction of the profit related pay (PRP) initiative is the loosening of rigidities in the labour market.

This however, is in conflict with another point made in the Green Paper whereby: "new recruits need not be eligible for PRP until they have been employed for some minimum period."

If PRP is to become widespread, employees are less likely to move from job to job if they are penalised in such a way.

One possible solution would be to transfer profit "credits" in a manner similar to recent suggestions concerning pensions. Such schemes would have drawbacks, especially when PRP becomes loss related pay.

Stephen Simpson.
19 Cottesmore Road, Woodley, Reading, Berks.

A hurdle in the Gas Bill

From Lord Stoddart of Swindon.

Sir, — Your Political Editor's report (July 18) concerning the Gas Bil is clearly in error. It states that the "only remaining hurdle disappeared yesterday when the Opposition withdrew an amendment to lay down consultation safeguards for workers to be transferred from British Gas to the new private company". The reason however, why the amendment which sought to write into the Bill the Transfer of Undertakings (Protection of Employment) Regulations 1981, was withdrawn was because Lord Belstead, the Minister in charge of the Gas Bill, made a firm statement that these regulations applied whether or not they were written into the Bill. The hurdle to which you refer was therefore always in place and continues in place. It is now for the trade unions to decide whether the Transfer of Undertakings (Protection of Employment) Regulations 1981, have been complied with and whether action through an industrial tribunal and perhaps ultimately the High Court is justified.

Stoddart,
House of Lords, SW1.

Butter for cows plan

From Mr B. Jackson

Sir,—There's a fairly well-known Greek adage which says, "Those whom the gods would destroy first make they mad." We learn that the EEC intends to use surplus butter from the 1.3m tonne European butter mountain to feed to cows to make more butter.

It is certainly an interesting process whereby, when you put something in one end, you get e subsidy from public money when it comas out of the other end. Then, even better, you take it back and re-introduce it to the front and get another subsidy from public money when it comes out again! How often is one allowed to do this well remunerated re-cycling?

According to the old adage, this may be heralding the destruction of the Common Agricultural Policy. Then our leaders can cease levying increasing taxation upon us merely to throw more and more money down this bottomless pit of agricultural expenditure.

Basil L. Jackson,
Avenue Prince Charles 22, B-1410 Waterloo, Belgium.

Expatriate voters wooed

From Miss E. Broadbent

Sir, — How interesting to read (July 12) that expatriate voters are being wooed! Unfortunately, however, it would seem that only those British citizens who have lived in the UK within the past five years are considered worthy of the Conservative Party's affections. Why?

You kindly published my last letter on this subject on May 17 1983. The reaction I had from other expatriates was, without exception, positive, but the politicians remained conspicuous by their silence. My correspondence with Westminster (including Mrs Margaret Thatcher, albeit then Leader of the Opposition) dates back to 1978 and even at that time I was informed that the Conservative Party was sympathetic to changes in the voting laws, such as are now being implemented. Why has it taken Mrs Thatcher nearly two terms of office to begin such changes, or are we expatriates regarded merely as a means to the end? I hope very much that the timing of this campaign and the fact that the Labour and Social Democratic Parties are also considering following the Conservative example are not symptomatic of the desperate measures which they are feeling forced to take in order to gain votes in the next General Election.

In principle I welcome this change in the British voting system, but why still exclude so many Britons who, like me, have lived abroad for longer than five years?

How about letting more expatriates have a say, at least in European Parliamentary elections? We are, after all, the only voters with first-hand knowledge of the pros and cons involved!

(Miss) Eileen Broadbent.
Graumannsweg 46, 2000 Hamburg 76, West Germany.

Job losses and sanctions

From the General Secretary, Fabian Society.

Sir, — Ian Davidson's excellent piece on sanctions against South Africa (July 21) discusses the effect of sanctions on the UK economy. In quoting the Fabian Society's use of the Cambridge Econometrics model to predict job losses, he gives a figure of 70,000 lost jobs over four years as the likely cost of total sanctions.

In fact our modelling exercise showed e much smaller job loss, and I suspect that Ian Davidson has cumulated what are alreedy cumulative totals to produce his figure. For the record, our calculations show that the cumulative job losses through total trade and financial sanctions would be: year 1, 20,000, year 2, 26,000, year 3, 19,000 and year 4, 4,500.

It may seem perverse that after four years, the net job loss to the UK economy is as low as 4,500. But the loss of financial flows from South Africa would drive down the exchange rate of the pound, with beneficial effects on the economy (as the Chancellor predicted would happen when oil revenues dried up).

The net total conceals some rather larger changes in particular economic sectors which the Cambridge disaggregated model shows up particularly well. Financial services and electricals would be hardest hit, but there would be gains for mechanical engineering, textiles, construction and distribution.

And, as Ian Davidson points out, these figures are based on the worst case premises of total sanctions overnight and only 50 per cent substitutions for lost exports. Even in year 2 when the figures peak the 26,000 jobs which go are less than the monthly average of jobs lost in the UK since 1979.

John Willman,
11 Dartmouth Street, SW1.

Action to stimulate UK industry is required now

From the Chairman, Excelsior Industrial Holdings.

Sir, — In 1980 industrial activity in this country was sacrificed in the interests of lower inflation with the policy of high interest rates, excessive value of sterling, the use of low priced imports to help the reduction of inflation and a new and false emphasis upon the values of service industries and financial manipulation. Since that time what has remained of industry has struggled to sustain and re-establish itself and despite the need to operate in unfavourable conditions and climates has done so with reasonable success.

Now however, although the situation does not seem to be realised and understood by government or the City some of the 1980 problems have returned and industry has started another decline which unless arrested quickly could this time be terminal. Without resorting to indices which are the illusory devices used by politicians, economists and the medie and are always behind the times, I give some examples of and some reasons for this renewed decline.

High interest rates (much higher than our competitor nations) are still encouraging the making of money by its movement and manipulation rather than from investment in making things.

The high value of the pound in relation to the US dollar has throttled the recovery of many industries which are US orientated. The textile industry is a prime example as the US dollar seriously affects both imports and exports to the disadvantage of UK industry. Of course the strong yen and Deutsche Mark should result in advantage to us, but in recent years we have allowed both Japan and Germany to become so dominant in meeting our requirements for certain products that the only result will be that our imports will cost much more with no advantage in exports because of the continuing chauvinism applying in both countries.

Economists tell us that the reduced price of oil will be beneficial. Maybe, but only to Japan and Germany. In the UK industry is already suffering from reduced demands from the North Sea and the Middle East as production slows and exploration stops. The effect upon our trade balance may well show in horrific figures over the next few months as we realise that we have no manufactured exports to replace oil, nor sufficient capacity to halt the flow of high priced imports.

New high technology industries are almost entirely associated with electronics and defence. They are already faltering. Almost all new consumer electronic products e.g. videos, mobile telephones, small computers, etc., are imported and defence spending is being cut.

Import penetration of our domestic market continues at a non-stop pace—soon it will no longer be considered economic because of low volumes to continue to manufacture — cars, trucks, tractors, steel, textiles, machine tools etc. and these are not old fashioned industries.

In the midst of all this, industry is being invited by unrealistic people to sacrifice its South African market and the jobs that go with it to others. Unrealistic because impractical liberal and emotional thinking does not understand the power of the self-sufficient South African economy nor the determination of Afrikaners to make their own decisions. They elso ignore the fact that countries in the Far East, the Eastern Bloc and South America are ready, willing and able to take over.

A renewed decline in our manufacturing base will be a tragedy and ultimately economic disaster. The western world cannot go on allowing the Far East to become its supply base, and to transfer its wealth mainly into the bands of Japan at the rate of some $60bn a year just for the privilege of borrowing it back again at high interest rates.

Action to stimulate UK industry is required now — lower interest rates, selective import quotas, special encouragement for manufacturing investment (particularly where it concerns import substitution) and direct help to restore wealth creation north of Watford.

L. J. Tolley,
Whitelands Road, Ashton-under-Lyne, Lancs.

British politics

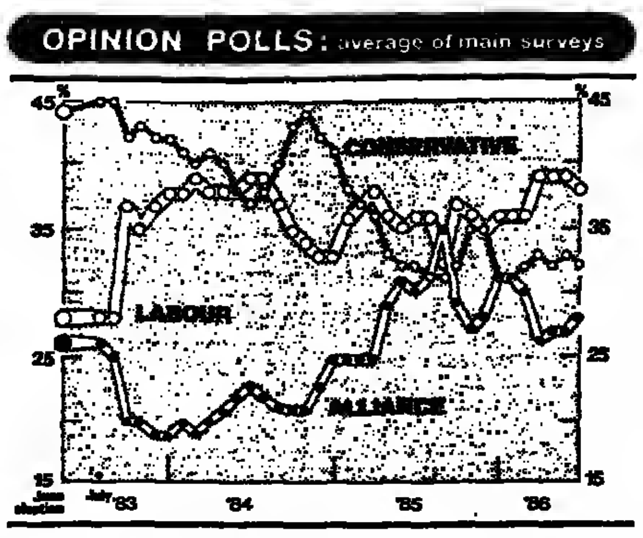
The paradox of the polls

By Peter Riddell, Political Editor

THE LABOUR Party has enjoyed a clear lead in the opinion polls since the beginning of this year, and for 14 of the last 16 months. Yet the Conservatives remain the (narrow) favourites to win the next general election, according to the same surveys.

That paradox lies at the heart of the sense of unease and uncertainty among politicians of all parties. They are not sure how to read the public's mood.

Superficially, the message of the polls looks clear cut. The accompanying graph shows the average of the main polls in each month. This generally gives e sample of at least 5,000 to 6,000 a month and smoothes the fluctuations shown by the occasional erratic survey.



On this basis Labour has moved up—by two or three percentage points—since the New Year. The Tories have also recovered fractionally, and the Alliance has dropped back. In theory these figures would give Labour the largest number of seats in the next Parliament and possibly just enough for an overall majority. However, many Labour MPs are not nearly as optimistic.

The poll figures are contradicted in two ways. First, there has been the uneven run of recent parliamentary by-elections. In April Labour had an excellent victory in Fulham, which was disappointing, but no worse, for the Tories and very poor for the Alliance. Then came West Derbyshire and Ryedale in May which were very good for the Alliance, very bad for the Tories and disappointing for Labour. And, last Thursday, there was Newcastle-under-Lyme with the admittedly special factors of a feuding Labour organisation and a wife succeeding e husband. But Labour only just won with a worse result than even in the depths of 1983, while there was a sharp improvement in the Alliance vote and a slide into a poor third place for the Conservatives.

Second, local council by-elections results also contrast with the poll figures. According to data compiled by the New Statesman, the Alliance "outperforms" its poll rating by roughly 5 per centage points in these contests, with Labour "underperforming" by a similar margin. On this basis Labour is now stuck at around 35 per cent with the other two parties at roughly 30 per cent.

Looking at the longer-term trends, both an optimistic and pessimistic case can be made for each party.

● **Conservatives:**
Optimistic — the present position, six points behind Labour, is no worse than at the mid-point of previous parliaments and the gap, could easily be made up before the election given some tax cuts and judicious increases in public spending on education, health and housing.
Pessimistic—there is no rule in politics that parties recover. There may have been an irreversible shift against the Government resulting from concern over the standard of public services and given the unpopularity of Mrs Thatcher. This may now be aggravated by her stance over South Africa, by excitable talk over a constitutional clash with the Queen and by the criticisms of Downing Street in the forthcoming Commons committee report on the Westland affair (probably more an embarassment than a decisive blow).

● **Labour:**
Optimistic—the party has gradually edged upwards in the polls over the past year, consolidating its position. It has set aside internal problems over the miners, local councils and Militant and projected a new "modernised" image as it did before the 1964 election victory.
Pessimistic—the recovery is still fragile, as shown at Newcastle-under-Lyme, and given the public's continuing doubts about whether Labour is credible as an alternative government. On this view, Labour should be further ahead in the polls now if it is to evoid being caught by the Tories.

● **Alliance:**
Optimistic—there is a low point and bedrock of support in the mid-20s even after setbacks like Fulham and the public rows over nuclear defence. The underlying trend is upwards, providing a base for a breakthrough in a high-profile general election campaign.
Pessimistic—the Alliance is stuck and not making any headway, with by-election results a misleading guide, because of the Labour recovery. It may face e third party squeeze from the Tories during the election campaign. Moreover, differences over policy remain, and Dr David Owen's desire to assert the separate identity of the SDP aggravates internal tensions and saps morale.

Many politicians in each of the three groups veer between optimism and pessimism depending on the latest opinion poll. But some firmer conclusions can be stated. First, despite the wishes of the Tories and Labour, the Alliance is not going to disappear and Britain has three-party competition—even if it is within a two-party electoral and parliamentary system. Second, such a three-way pull leads to apparently contradictory results in successive individual contests as the vote of one of the partiee is squeezed by a switch of support to whichever of the others looks likely to beat the party defending the seat.

Third, Labour should be doing better now if it is to have a good chance of winning the next election outright. The party has never established itself as clearly over the 40 per cent threshold which assures it of an overall Commons majority, though a 37 or 38 per cent share may be sufficient. At present, there is no room for slippage. That is perhaps why Labour has not yet established itself in the public mind as the inevitable next government. This explains why 43 per cent of the sample in the recent Gallup survey in the Daily Telegraph believed the Tories would win the next election and 38 per cent thought Labour would.

Fourth, without a dominant party, the outcome of nationwide contests in a three-party system tends to be ambiguous.

All of this poses considerable problems for the Prime Minister in choosing the general election date. For all the talk of clearing the desk for a 1987 election by dropping controversial items from this November's Queen's Speech, no one, least of all Mrs Thatcher, knows when the election will be.

The heavy hints dropped last Friday by Mr Nigel Lawson about preferring 1988 were merely to prevent the Government's options being narrowed by self-fulfilling speculation about 1987. The Tories will go when they think they can win.

The message of the polls and of recent election results is that any outcome—from a small overall Conservative majority through various forms of hung parliament to just an outright Labour majority is conceivable.

Most politicians, of all parties, regard the latter as unlikely and the former as more likely, while hedging their bets on an inconclusive outcome followed by another election. Their hunch, like the public's, is that Mrs Thatcher will probably, just, make it back to Downing Street. But unless the signals are clearer by next spring she may prefer to wait until October 1987, or later, to see if they are right.

FINANCIAL TIMES

Tuesday July 22 1986

Shake-up at French state groups

BY PAUL BETTS IN PARIS

THE FRENCH Government will announce changes at the top of several of the country's largest state-owned banks, insurance companies and industrial groups at a cabinet meeting tomorrow as part of its industrial and financial privatisation programme.

The Government has already submitted a list of its candidates to lead 24 of the country's largest financial and industrial groups to President François Mitterrand. Those 24 groups, which include financial institutions such as Paribas, Suez, Société Générale, Banque Nationale de Paris and Crédit Lyonnais, and industrial groups such as CGE, Thomson and Péchiney, are among the 65 state groups the Government intends to privatise.

The list of the first 24 nominations contains surprises. Barring any last-minute changes, the Government has decided to replace Mr Georges Pebereau, the chairman of the CGE telecommunications and engineering group, who has just negotiated a landmark telecommunications agreement with ITT, with Mr Pierre Suard, the vice-president of Alcatel, the CGE telecommunications subsidiary.

Less unexpected is the replacement of Mr Loïk Le Floch-Prigent at the head of the Rhône-Poulenc chemicals group. The current chairmen of other main nationalised groups, including Mr Alain Gomez, chairman of Thomson, Mr Bernard Pache, chairman of Péchiney, and Mr Jean-Louis Beffa, head of Saint-Gobain, are all expected to be reconfirmed.

In banking, Mr Renaud de la Genière, former governor of the Banque de France, is expected to be nominated at the head of the Suez financial group replacing Mr Jean Peyrelevade. Although Mr Peyrelevade is widely acknowledged to have been a good chairman, his replacement reflects his previous close connections with the former Socialist Government.

At Paribas, Mr Jean-Yves Haberer, a former director general of the French Treasury before being appointed chairman of the French Banque d'Affaires, is expected to be replaced by Mr Michel François-Poncet, who has worked for Paribas for 25 years.

Senior managers of Paribas have sought to persuade the Government to retain Mr Haberer and have written to Mr Jacques Chirac, the Prime Minister, to express their concern over the choice of a new chairman. However, the Government seems to have striven to reassure the bank's senior management by picking a new chairman from their ranks. Mr François-Poncet, who is 51, is a member of the Paribas executive board, has widespread international experience, and has worked for five different Paribas chairmen.

Another surprise is the likely replacement of Mr Jacques Mayoux, chairman of Société Générale, by the bank's current number two, Mr Marc Viénot. As expected, Mr Jean Deflassieux is being replaced at the helm of Crédit Lyonnais. The new chairman of the large bank is expected to be Mr Jean-Maxime Lévêque, the former head of the Crédit Commercial de France, who fought against its nationalisation by the left.

However, Mr René Thomas is expected to remain at the top of Banque Nationale de Paris, the country's largest bank. The current chairman of CCF, Mr Bernard Pallez, is also likely to be reconfirmed.

Among the insurance companies, Mr Bernard Attali, brother of President Mitterrand's adviser, Mr Jacques Attali, is expected to be replaced.

Mr Chirac confirmed yesterday during his press conference that the nominations to the largest 25 French state industrial and financial groups would be announced at tomorrow's cabinet meeting. Although President Mitterrand has to give his signed approval to the nominations, Mr Chirac claimed the President was not in a position to oppose the choice of the Government.

President Mitterrand last week refused to sign the decree to enable the Government to launch its privatisation programme without going through parliament. The Government will approve draft legislation at its Cabinet meeting tomorrow to rush through parliament its privatisation programme.

Mr Chirac claimed that, unlike the issue of decrees, the nomination of new chairmen to state groups was entirely a matter for the Government and not the President. He said the new chairmen had been chosen for their competence and their ability to help to manage their groups through the privatisation process.

Indeed, the Government has not replaced several left-wing-appointed chairmen for example, Mr Gomez of Thomson, who has succeeded in returning the troubled electronics and defence group to profit.

However, other changes expected to be announced are more controversial. Mr Pebereau, Mr Haberer and Mr Mayeux are all extremely well regarded in French and international business circles, and their replacement, if confirmed, could hardly have been decided on grounds of competence but only for political reasons.

Eta strikes at Defence Ministry with rocket grenades

By Tom Burns in Madrid

THE BASQUE separatist organisation Eta launched anti-tank grenades against the Defence Ministry in Madrid yesterday and later detonated a car bomb in an apparent response to stepped-up terrorist co-operation between Spain and France.

Eight people were injured, two of them seriously, in the Madrid attacks that rank as among the most audacious of those carried out by a group of clandestine Madrid-based Eta activists that has come to be known as the "Spain Commando" of the separatist organisation.

Developments over the weekend which indicated a growing rapport between Spain and France over the Eta problem included the handover to the Spanish security services of a wanted Eta member living in south-west France and an undertaking by the French Foreign Minister that similar action would be taken against other Basque refugees suspected of terrorist activities.

In Madrid yesterday, a salvo of anti-tank grenades was fired by remote control at the Defence Ministry from home-made rocket launchers built into a car that was parked 200 yards away from the building in a cul-de-sac across the broad Paseo de la Castellana.

Five grenades hit the façade of the imposing concrete building at the fifth floor level, just above the offices used by the Defence Minister. Several windows were broken and an admiral in the Defence Ministry's personal department was hurt by cut glass. A grenade which fell short of the target hit a bus and injured a passenger.

The car which had been used as a grenade launcher subsequently blew up. Within minutes a car bomb timed to explode when police were investigating the earlier blast exploded wounding a further five people.

The attacks bore the hallmark of Eta, which has used the car grenade launcher device in the past. The separatist organisation has admitted responsibility for a car bomb attack in Madrid on Monday last week which killed 10 policemen.

Last week's attack was linked to the French authorities' deportation to Togo of Mr Domingo Iturbe, a reputed leader of Eta who had been serving a jail sentence in France for violating residency requirements.

Yesterday's explosions appeared linked to the French security forces' unprecedented handover of a wanted Eta man. José Manuel Varona Lopez, said by Spanish police to have been active in terrorist attacks in Madrid in the past, was detained on Friday by French police in the village of Ciboure, near the frontier town of Hendaye, and passed on to the Spanish security forces at the weekend.

Mr Varona Lopez was not subject to extradition procedures and did not come before a judge in France before his handover to the Spanish police. He is being held at Madrid security headquarters under Spain's anti-terrorist law, which allows for a 10-day detention of suspects before they appear before a court.

The move was a departure from previous French treatment of Basque refugees and Eta suspects who, as in the case of Mr Iturbe 10 days ago, have been generally expelled to third countries.

The French Foreign Minister Mr Jean-Bernard Raimond, however appeared to indicate a change of tactics on the part of the Government. He said in a weekend radio interview that "there will, perhaps, be further expulsions of Spanish refugees to Spain in the coming days."

In the interview with Radio Monte Carlo, which was widely reported in yesterday's Spanish press, Mr Raimond said that this was "a normal procedure between two law-abiding states," and he stressed that Spain was a consolidated democracy and a fellow member of the EEC.

Some 800 Spanish Basques, among them the hardcore of Eta are reckoned to be living in the border area of south-west France, until recently considered to be a "safe haven" for the separatist organisation.

The latest Eta attack in Madrid came on the eve of an investiture debate in the Madrid Parliament which opens today when Mr Felipe Gonzalez will be seeking a confidence vote in order to announce his new Government.

Mr González will come under major criticism from the conservative opposition benches for the failure by police to capture Eta's Madrid-based "Spain Commando" Mr Manuel Fraga Iribarne, the opposition leader, said yesterday that would press for a set of emergency measures against Eta.

The indications of improved Franco-Spanish co-operation could serve to deflect the pressure on Mr González.

THE LEX COLUMN

Gravity strikes in Tokyo

It is appropriate that no one knows exactly why the Japanese market should have experienced its third-largest one-day fall. For everyone long ago gave up trying to explain why it should have risen as far as it did. It is a case of the *Donald Duck syndrome*, in which the sufferer finally looks down to see that he has been defying gravity, and the magic spell is broken.

But investors should be careful before deciding that it is time to remove the oxygen masks. The wild switchback patterns in yesterday's trading, with a rise of 95 points followed by an initial drop of 680 points, confuse rather than clarify the issue. The weight of money argument that has buttressed the recent gains has certainly not gone away. The Japanese institutions remain formidably liquid.

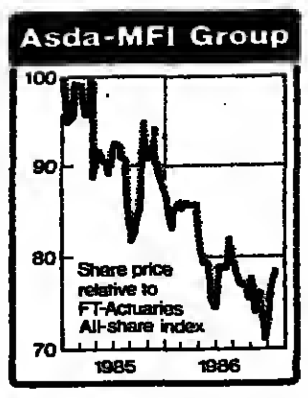
Emperor Hirohito at least was not cited as a cause of Tokyo's collapse. It must be the first time since 1911 that reported dissent between Westminster and the Palace has moved the London equity market; but institutional refusal to nibble even after heavy mark-downs of stock seems to confirm that the market weakness is more than a weekend wonder.

Asda-MFI

The stock-market career of Asda-MFI since it sprang into existence a little more than a year ago has been a less than glittering affair. The *strategic fit between grocery superstores* and self-assembly furniture seems to have passed the market by; and since this year's flat-pack tax charge – down from 44 to 30 per cent – is responsible for almost all the growth in earnings, the figures themselves have not provided much reason to change tack. Before the *customary switch to capitalisation* of development interest, worth £7.6m, pre-tax profits would have been ahead of last year's £158m by just 2.3 per cent.

Underneath this apparently static surface, however, Asda-MFI can claim that productive change has been going on. After years of reliance on branded groceries, Asda has woken up to the virtues of own-labelling, and is trying to raise this part of the mix from nothing to 35 per cent of grocery sales by the end of next year.

As the other food-retailing multiples have been proving for some time, there is a deal of gross margin improvement to be achieved in this



way. But Asda, which has only just begun to tackle the problem of central distribution, may find it harder than some others to reap the full rewards at the net level. Even so, a price of 142p, down 4p, seems to undervalue *Asda-MFI* against the likes of Tesco; six times earnings is a generous discount, by any standard.

Blackwood Hodge

Blackwood Hodge has offered its shareholders a simple choice: vote for the heavy £12.8m rights and see earnings per share stagnate for a couple of years, or watch the company's attempts to grow to a more efficient size become crippled, yet again, by the cost of servicing debt. BH's first swing at the balance *sheet problem – offering* shares to take over Benford Concrete Machinery – might have suited investors better.

It comes down to a test of their faith in the management which brought BH back from the brink. That was the easier part of the recovery. The harder job is to put enough extra turnover through existing operations to cover a return for both bankers and shareholders. As the market is not growing, BH must win more franchises like Komatsu and Fiatallis if it is to gain market share. That gets more difficult as BH proceeds, with the various manufacturers wanting mutually exclusive distribution deals for their ranges, and competitors fighting back.

Profits this year should top £9m against £7.2m in 1985, with a similar increase likely in 1987. But with a tax charge including ACT on the dividend, the 1986 multiple is around 6½ on an ex-rights price of 42p. A yield of 3.4 per cent, although welcome, is no support, and the rating gives little reason for the shares to perform.

TSB flotation

A television commercial last night opened the long-delayed pre-flotation campaign for TSB Group, which, with British Gas looming for November, has had to settle for mid-September impact day only just outside the holiday season. The need to whip up enthusiasm during the dog days of August is particularly unfortunate for TSB, given that its main constraint is not the amount of money to be raised but the number of small investors to be attracted on to the share register. Promising the Government to deliver a million shareholders must severely have limited the potential issue price.

The *flotation was modestly billed* yesterday as "one of the most exciting share offers ever brought to the market," but any substantial interest must be linked to the peculiar structure of the issue, given the dull nature of the underlying operations. The best that can be said about these is that there is plenty of scope for expansion into more buoyant markets.

The issue will make plenty of money available for such growth – a round sum of £1bn is being talked about by brokers – although TSB is said to be undecided about the precise figure. But it is not evident that the management will be able to put such sums to work without lowering the return on capital substantially. Considerable in-house needs for development were being vaguely indicated yesterday, but plainly the issue is not motivated by the need to finance capital investment. All that can be said is that the *deferment for a year of the second* call, representing about half the proceeds, will ease the digestion problem.

Meanwhile, TSB's advisers juggle various valuation alternatives, such as capitalising prospective earnings, calculating book net worth per share, and adding up the value of the different operational units (including credit cards and unit trusts). Inconveniently, they all give widely different answers. It is fortunate that preliminary registrations by customers and staff, and calls by the public to a share issue "hot-line," will give strong hints about the likely level of response to the offer when it comes.

US growth fears drive $ lower

By George Graham in London

CONCERNS over the weakness of US economic growth drove the dollar lower yesterday, battering stock markets around the world and sending gold to its highest level for six months.

The US Federal Reserve Board's downward revision of its US growth forecast for 1986 to 2½ to 3 per cent, announced after the markets had closed on Friday, reinforced the more pessimistic predictions of private-sector economists.

Dealers feared that continued evidence of weakness in the US economy might prompt a further cut in the US discount rate, even though the Japanese and West German central banks have as yet shown no sign of following the Fed's half-point cut to 6 per cent 10 days ago.

The West German discount rate has remained at 3.5 per cent since March, while the Bank of Japan cut its rate to that level in April.

Poorer economic prospects have also prompted stockbrokers to cut their forecasts for company profits growth this year. Many leading Wall Street brokers have since January halved their estimates of earnings growth for the S&P 500 leading shares in 1986 to below 10 per cent.

In the UK, meanwhile, leading equity broker Scrimgeour Vickers has reduced its forecast of company profits growth from 20 per cent at the start of the year to 15 per cent. Such a rate of increase can be sustained next year but will depend on economic growth, it feels.

The more cautious profit outlook affected share prices in London and the Far East. Tokyo's Nikkei Dow index fell at one point by more than 500 points, with domestic stocks such as property and railway companies suffering. Renewed buying of blue-chip shares late in the day took the index back to 17,522, a loss on the day of 319.

UK equities also fell amid renewed anxiety over sterling and mounting political fears, although oil prices strengthened. The FT Ordinary share index lost 19.1 to 1,270.3, while the broader FT-SE 100 share index fell 24.2 to 1,560.2.

The pound touched DM 3.1766, its lowest ever level against the D-Mark, before closing a whisker higher at DM 3.1775, down 2½ pfennigs from Friday's close. Against the dollar, it lost 0.4 cents to $1.4995. The Bank of England's trade-weighted index closed at 73.0.

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Japanese capture record 11.8% share of European car sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

JAPANESE manufacturers captured an unprecedented 11.8 per cent of Western European new car sales in the first half of 1986, up from 10.4 per cent in the corresponding period last year, according to industry estimates.

While total registrations grew strongly, by 8.3 per cent to 6.16m in the half-year, Japanese penetration of the 17 major European car markets jumped by 22.9 per cent and they took over a quarter of the 472,000 extra sales.

Much of the Japanese gain was made in West Germany, biggest of the European car markets. In the first six months, the share of German sales increased from 13 per cent to 14.5 per cent, following a 31 per cent advance in volume, from 163,400 to 214,600.

European Community officials have already made clear their concern about the sharp rise in exports of Japanese cars to the EEC in the early months of this year, and the Japanese Ministry of International Trade and Industry has urged the producers to exercise restraint so as to head off further trade friction.

Toyota, largest of the Japanese vehicle groups boosted volume sales in the half-year by 15.9 per cent and its share of Western European markets from 2.5 per cent to 2.9 per cent. But the group has insisted this is not part of a global strategy to shift exports to Europe from the US, where sales are threatened by the recent rapid appreciation of the yen against the dollar.

Another feature of the half-year *in Europe has* been the continued strong advance of Daimler-Benz, West Germany's Mercedes group, based on the recent introduction of two car lines, the 190 "small" Mercedes and the new medium models.

D-B's volume sales increased by nearly 10 per cent in the six months compared with the first half of last year and it has now overtaken the Rover Group, formerly British Leyland, in the manufacturers' league table.

The *state-owned Rover Group* had a poor start to the year in the UK, where sales were held back by the parliamentary debate about its future which raised some uncertainties among potential customers.

However, the Rover Group's volume sales improved in the half-year by 1.2 per cent, whereas Renault, the *state-owned* French concern, saw volume fall by 1.8 per cent, the only major company to do so in the period.

The gap between Renault at the bottom of the European "big six" and the Volkswagen-Audi-Seat group at the top has widened from 3.4 to 4.7 percentage points.

VW-Audi-Seat and Fiat Auto were the only members of the top six to show an increase in market share during the half-year. VW showed a 10.6 per cent volume increase compared with January-June 1985, while Fiat volume advanced by 9.8 per cent.

The US multinationals, Ford and General Motors (Opel-Vauxhall), which recently have been stressing they need to improve profitability rather than boost volume, both lost share in the six months. Even so, GM had a record half-year.

BMW, which still has not overcome problems in its domestic market, where D-B in particular has put it under heavy pressure, also lost market share in the first half.

West European car market: first half-year

	1985	1986
Total registrations	5.688m	6.16m
Market shares %		
VW-Audi-Seat	14.3	14.6
Fiat-Lancia-Autobianchi	12.8	13.0
Ford	11.7	11.6
General Motors (Opel-Vauxhall)	11.6	11.4
Peugeot-Citroën-Talbot	11.4	11.2
Renault	10.9	9.9
Daimler-Benz (Mercedes)	3.6	3.6
Rover Group	3.8	3.5
Toyota	2.5	2.9
Nissan	2.7	2.9
BMW	2.7	2.6
All Japanese	10.4	11.8

Industry sources

Colt shares shoot ahead on recapitalisation plan

BY TERRY DODSWORTH IN NEW YORK

COLT INDUSTRIES, the US aerospace, automotive and industrial products group, caused a stock-market furore yesterday when its shares shot up on the New York Stock Exchange after news of a recapitalisation plan.

Shares in the New York-based company, founded in 1836 by Samuel Colt of Colt pistol fame, rose by around $27 within the first two hours of trading to $93⅞. Investors rushed into the stock attracted by a cash offer attached to the recapitalisation and suggestions that the company may have put itself into takeover contention by opting to reorganise.

The recapitalisation plan has two main parts, the first of which is designed to give shareholders an immediate cash payment. Under that part of the reorganisation, shareholders will receive $85 for each share held plus one new share, on which the company has not yet put a value. The cash element was $18.25 above Friday's closing price of $66.75.

Under the second part of the reorganisation, shares in the Retirement Savings Plan held by Colt employees will be held back from the cash offer. Instead, the Retirement Plan will receive a number of new shares based on a formula using the company's median stock price 15 trading days after the plan is completed.

That exchange is expected to give the 5,000 participants in the pension plan about 30 per cent of the group – a move towards increased employee ownership that would make Colt less vulnerable to takeover, although the company said that it was not responding to a takeover threat.

Takeshita may succeed Nakasone

Continued from Page 1

and Minister without Portfolio in the reshuffled cabinet, thus preserving his central role in the political process.

Japanese cabinet reshuffles, which occur at least once a year, are not normally policy-related. On this occasion, however, the appointment of Mr Miyazawa to the Finance Ministry has potential policy implications.

Mr Miyazawa is of a modified Keynesian bent, while his new ministry was the guardian of fiscal conservative orthodoxy. The assumption in Tokyo last night was that Mr Miyazawa would be expected to bring about in the autumn a more reflationary supplementary budget than his bureaucratic colleagues were necessarily inclined to support.

However, it is more likely that Mr Nakasone and Mr Kanemaru had political motives in mind in shifting Mr Miyazawa. As a member of the cabinet, he might be more constrained from launching political campaigns against the Government than while he was serving as LDP executive council chairman.

Mr Nakasone now appears assured of an extension in office until next spring, and conceivably beyond that, although his term as party president expires in October. That has not, however, prevented political machinations inside the LDP from proceeding apace.

Mr Abe was recently named chairman of the LDP's political faction previously headed by Mr Takeo Fukuda, while Mr Miyazawa is expected shortly to replace Mr Zenko Suzuki, another former *Prime Minister, as a political faction* leader. Their legitimacy will thus have been enhanced.

Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	26	79	Dubrovnik	F	25	77	Malta	F	25	77	Rhodes	S	29	84
Algiers	S	29	84	Edinburgh	C	15	59	Manchester	C	15	59	Rio de Jo	C	34	93
Amsterdam	C	19	66	Faro	S	27	81	Manila	S	31	88	Rome	S	28	82
Athens	F	32	90	Florence	F	27	81	Melbourne	S	12	54	Salzburg	F	20	68
Bahrain	S	39	102	Frankfurt	F	23	73	Mexico City	F	24	75	San Francisco	C	26	79
Bangkok	R	30	86	Funchal	F	22	72	Miami	C	31	88	Seoul	R	25	77
Barcelona	S	25	77	Geneva	S	24	75	Milan	F	26	79	Singapore	S	32	90
Beirut	S	28	82	Gibraltar	S	26	79	Montreal	F	28	82	Stockholm	C	20	68
Belfast	C	14	57	Glasgow	C	14	57	Moscow	F	23	73	Strasbourg	F	24	75
Belgrade	C	17	63	Guernsey	C	17	63	Munich	F	19	66	Sydney	F	15	59
Berlin	C	23	73	Helsinki	F	19	66	Nairobi	C	21	70	Taipei	S	34	93
Biarritz	S	22	72	H Kong	R	28	82	Naples	F	28	82	Tangier	S	33	91
Bombay	F	29	84	Innsbruck	S	21	70	Nassau	C	33	91	Tel Aviv	S	30	86
Bordeaux	S	27	81	Inverness	C	15	59	New Delhi	C	34	93	Tenerife	S	24	75
Brussels	F	20	68	Islamabad	C	35	95	New York	S	28	82	Tokyo	C	23	73
Budapest	R	17	63	Istanbul	S	31	88	Nice	S	27	81	Toronto	S	30	86
B Aires	F	13	55	Jakarta	C	30	86	Nicosia	S	37	99	Tunis	F	29	84
Cairo	S	34	93	Jersey	C	18	64	Oporto	S	25	77	Valencia	—	—	—
Cape Town	S	20	68	Jo'burg	S	22	72	Oslo	C	19	66	Venice	S	25	77
Caracas	S	28	82	Lima	C	17	63	Paris	C	21	70	Vienna	C	28	66
Casablanca	S	30	86	Lisbon	S	33	91	Peking	—	—	—	Warsaw	F	17	63
Chicago	C	30	86	London	C	21	70	Prague	F	22	72	Washington	S	24	75
Cologne	C	21	70	Los Angeles	S	31	88	Reykjavik	S	11	52	Zurich	S	21	70
Copenhagen	F	18	64	Luxembourg	C	22	72								
Corfu	S	29	84	Madrid	S	31	88								
Dallas	S	26	79	Majorca	S	27	81								
Dublin	C	16	61	Malaga	S	28	82								

Readings at mid-day yesterday

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Howe sets out on S. Africa mission

Continued from Page 1

It seems clear that the Community will not be able to make any action along those lines part of a wider international movement against South Africa. "Other nations have been looking at measures – some the same, some different. But there is a limit to the extent of international co-ordination," Sir Geoffrey said.

He gave a warning that there was "no measure which can be taken which does not have disadvantageous consequences."

At any rate, he regarded South African history as being at a "critical moment" and that was why it was "*important* to make clear the position" of the Twelve on human rights.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday July 22 1986

Italtel's pre-tax profits leap to L38.7bn

BY ALAN FRIEDMAN IN MILAN

ITALTEL, Italy's state-owned telecommunications equipment maker, said yesterday that it more than *doubled its first-half pre-tax profit* to L38.7bn ($26m). The profit for the same six-month period of last year was L16.5bn.

The more than doubled first-half result suggests a marked upturn in full-year profitability for 1986. Last year Italtel lifted its profit by 60 per cent to L42.1bn on total turnover of L1,228bn.

Under the leadership of Mrs Marisa Bellisario, Italtel managing director since 1981, the company has been restructured. The total workforce has been reduced by 10,000 *since 1980 to 18,840 and the heavy* losses of the early 1980s have been transformed into profits.

Mrs Bellisario said last night that she was pleased that sales of the Linea UT digital public switching exchange-developed as part of a three-way 1982 agreement with GTE of the US, and Fiat's Telettra *telecommunications subsidiary* – had increased by 165 per cent to L106bn in the first six months of this year.

Linea UT sales represent just over a sixth of total group turnover for the first half, which was 7.3 per cent higher at L604bn.

Last Friday Mrs Bellisario expressed concern at the newly announced deal between GTE and Siemens of West Germany under which the latter is to have 80 per cent of a venture pooling public telephone switching operations in *Italy, Belgium and Taiwan*. The GTE-Siemens deal, because it includes Italy, may lead to a revision of the Linea UT agreement, Mrs Bellisario said.

Italtel said yesterday that roughly 80 per cent of its 1986 revenues would come from the sale of electronic systems. This compares with *70 per cent last year and 20 per cent* in 1980.

Mrs Bellisario has pursued a policy of intercompany alliances in recent years, among them a four-way agreement (with Alcatel of France, Siemens of West Germany and Plessey in the UK) *to co-operate* on research and standardisation of components.

In addition, a joint venture has been formed by Italtel's IRI-Stet state holding group parent with Fiat to explore the feasibility of a *partial or total merger of Italtel* and Telettra. The idea would be to rationalise the Italian telecommunications equipment market by combining the strengths of the two manufacturers.

Merrill Lynch income rises 35%

By William Hall in New York

MERRILL LYNCH, the leading US securities firm, is continuing to recover after its recent depressed performance, and yesterday reported a 35 per cent rise in second quarter net income to $91.1m or 84 cents per fully diluted share.

The group's revenues rose by 33 per cent to $2.3bn and all major revenue categories except principal transactions showed "substantial gains" in the second quarter. Commission revenues from client orders for listed securities as well as the continued heavy demand for mutual funds were significant factors behind the revenue growth.

Increased investment banking activity, especially in the merger and acquisitions and initial public offering areas, also contributed strongly. Revenues from the group's real estate, insurance and asset management and custodial fees were at record levels and total assets under management by Merrill Lynch asset management rose by more than a third to $72bn from a year ago.

The decline in principal transactions revenues reflected weakness in the corporate bond environment and a decline in the municipal area where unfavourable market conditions reflected uncertainty about new tax legislation. These declines were partly offset by improved performance in government and agency securities and a strong showing in the over-the-counter area.

Mr William Schreyer, chief executive, and Mr Daniel Tully, chief operating officer, said: "The US economy, as well as many of the economies around the globe, appears to be flat or only in a modest stage of growth. The US stock market, after reaching unprecedented heights, may face a second period of consolidation. But we are convinced that the longer term outlook is for solid growth – aided by the *containment of inflation*, the benefits of deregulation and the potential gains from tax reform."

For the first six months of the year, Merrill's net income rose by 44 per cent to $177.9m or $1.65 per share, and revenues are up by a third at $4.5bn. Merrill's shares rose by $⅝ to $35¼ in early trading

US GAS PIPELINE GROUP TO TAKE $465M CHARGE

Panhandle settles Algeria dispute

BY WILLIAM HALL IN NEW YORK

PANHANDLE EASTERN, the big natural gas pipeline group which rejected an unwelcome takeover proposal earlier this month, is taking a $465m after-tax charge to settle *a multibillion dollar legal battle* covering a failed project to import high-priced liquefied natural gas (LNG) from Algeria.

Panhandle Eastern yesterday announced agreement with Sonatrach, Algeria's state-owned oil and gas company, General Dynamics, the US defence and aerospace group, and Moore McCormack Resources to settle all claims relating to the 20-year LNG *import project* suspended in December 1983 just more than a year after the start of shipments.

Under the agreement, which has to be approved by the Algerian Government, Sonatrach will receive $200m in cash and 6m shares in Panhandle. The group's shares rose by $¾ to $44¼ in early trading yesterday.

As a result Sonatrach will emerge as one of the biggest shareholders in Panhandle with a 11.7 per cent stake.

The Algerian company has the right to sell the shares back to Panhandle at any time in the next two years at prices ranging up to $55. In *the short term, at least*, its shareholding is likely to make Panhandle a less attractive takeover target.

Panhandle has also agreed to start "good faith" negotiations with Sonatrach aimed at developing arrangements before December 31, 1986, for the joint marketing of regasified Algerian LNG in the US.

Panhandle has also settled with *Lachmar*, the partnership owning the LNG tankers and in which General Dynamics, the builder of the ships, had a 40 per cent interest, and Moore McCormack, which operated the ships, had a 20 per cent interest.

Panhandle had a 40 per cent interest in Lachmar which controlled two of the five ships making the 13-day, 5,000-mile trip to Louisiana where the LNG was fed into Pun*handle's pipeline*.

Under the settlement, Panhandle is purchasing the interests of General Dynamics and Moore McCormack in Lachmar for $125m in cash. The two companies have agreed to drop litigation.

Panhandle's Algerian LNG contract was signed in the 1970s when energy prices were soaring and US natural *gas* pipeline companies were worried about shortages of supply.

The *Panhandle contract*, which involved shipping 3.3 trillion (million million) cubic feet of gas over a 20-year period from Algeria to Lake *Charles* in *Louisiana*, was initially hailed as an astute move. As eoergy prices began to fall, however, it became a big liability which has overwhelmed the company for several years.

The settlements relieve Panhandle and its subsidiaries of contingent liabilities which the company had estimated could have amounted to $850m per year to the year 2002.

Mr *Robert D. Hunsucker*, Panhandle's chief executive, said he was gratified that "this difficult and complex problem has now been satisfactorily resolved" and is pleased that the settlement "creates the opportunity for us and Sonatrach to develop a marketing plan that would make LNG a viable long-term source of energy for the US."

He said the termination of the "massive LNG exposure restores the flexibility Panhandle needs seriously to consider taking action on *one or more corporate restructuring* alternatives which, we believe, would enhance stockholder values."

Voest-Alpine expects loss

BY PATRICK BLUM IN LINZ

VOEST-ALPINE, Austria's state-owned steel and engineering group, is expected to post losses of Sch 4.2bn ($279m) this year following record losses of Sch 11.75bn last year, Dr. Herbert Lewinsky, Voest's president and chief executive, said yesterday at the presentation of the company's annual report for 1985.

Voest's performance this year has been badly affected by the fall in steel prices and by a strong decline in international orders, he said.

Orders were down by 40 per cent in the first five months of this year compared with the same period last year. Steel products were down 16 per cent and finished products 30 per cent.

There has also been a strong decline in orders for plants and turnkey projects in areas where Voest is usually strong such as the Soviet Union, Eastern Europe and the Middle East.

In the first half of this year the turnover of Voest-Alpine AG, the parent company, was Sch 20.4bn, down 7.7 per cent compared with the same period last year.

Most of this year's losses are expected to come from steel (Sch 2bn) and finished products (Sch 1bn). The plant-building division and other activities are expected to account for the rest of the losses.

The turnover of Voest-Alpine Intertrading, Voest's trading subsidiary, is also expected to fall sharply from the record Sch 185.1bn posted last year to around Sch 25bn this year. The decline is due to Intertrading's having stopped all speculative trading in oil following its spectacular Sch 4.2bn loss in dealings in Brent oil futures last year.

Plans for a joint venture between Intertrading and Metallgesellschaft of West Germany and Louis Dreyfus of France have been dropped, Dr. Lewinsky said. Intertrading will continue on its own and will also deal in normal oil transactions including barter deals where "the risk is calculable," he said.

Consolidated group turnover excluding Intertrading grew slightly from Sch 75.7bn in 1984 to Sch 80.2bn last year with exports rising modestly from Sch 48.5bn, representing 54.3 per cent of total sales in 1984, to Sch 49.9bn, representing 51.5 per cent of sales last year.

The turnover of Voest-Alpine AG declined from Sch 48.09bn in 1984 to Sch 46.94bn last year, with exports also declining from Sch 35.42bn in 1984 to Sch 33.2bn last year.

Much of the company's losses have been due to unsuccessful diversification and to low productivity in some branches.

The management board is preparing a long-term programme to bring the company back to profitability. The plan should be finalised at a management board meeting next month, and presented to *OIAG, the state holding company* for the nationalised industries, in September.

The programme should call for strong rationalisation measures to improve efficiency and cut costs. Dr *Lewinsky said yesterday*: "We have bitter restructuring measures ahead of us."

Negotiations with RSR Corporation of Dallas to sell the Voest loss-making Bayou Steel Corporation would be completed by the end of the month, the company said. Last year Bayou Steel posted losses of Sch 1.1bn.

Geco in deal with Schlumberger

BY FAY GJESTER IN OSLO

GECO, a Norwegian seismic survey company which claims to be the world's second largest in its field, has announced a NKr 700m ($94m) agreement with Schlumberger, the multinational oil services group. The deal will give Schlumberger a 50 per cent stake in Geco, while virtually doubling the Norwegian firm's share capital.

Trading in Geco's shares, *suspended since July 16 on rumours* of an imminent deal, was resumed yesterday on the Oslo exchange. The price bounced up to NKr 110.50 at the news from NKr 78 to NKr 79, before the suspension (par value NKr 25).

Geco's management was looking for a new partner to provide fresh capital because the firm, fairly prosperous until this year, has been *hard hit by cutbacks in oil company* activity following the oil price collapse. In 1985, it made a profit before extraordinary items of NKr 108m on turnover of about NKr 1.6bn, but showed a loss of about NKr 25.7m in the first quarter of the current year. A deficit of NKr 80m to NKr 90m has been forecast for 1986 as a whole.

For Schlumberger, the acquisition is an opportunity to diversify into a new type of oil-related activity. The concern has not previously been involved in seismic surveying.

Under an agreement in principle, full details of which have not yet been revealed, Geco is to make a private placement of new shares with Schlumberger, which will also buy some existing shares. For both new shares and old, it will pay NKr 149 per share. *This is almost double* the market price of the shares before the deal was announced.

Main shareholders in Geco at present are Det norske Veritas, the Norwegian classification institution, Kongsberg Våpenfabrikk, the *state-owned munitions, engineering* and electronics group, and Actinor-Hafslund, a leading Norwegian industrial concern.

The deal will require government approval. The Ministry of Industry said it regretted that Geco had been forced to seek fresh capital from a foreign partner but added that it hoped the deal "would meet Geco's expectations," and promised to process the application for approval as rapidly as possible. It is not expected to veto the agreement.

Union Bank's earnings rise

By John Wicks in Zurich

UNION BANK of Switzerland reports "favourable results" for the first half of this year. In the second quarter, income is said to have been higher than in the corresponding period last year. The trend began in the first three months of 1986 when the bank claimed gross earnings were well over 1985 levels.

Business is expected to be good in the second half, with results likely to "match expectations." In February, management chairman Dr Nikolaus Senn had already predicted that 1986 would be a successful year.

Last year, net profits had risen 18.4 per cent to a record SFr 692m ($401m), allowing an increase in dividend from 23 to 24 per cent.

US drugs industry shows broad advance

BY OUR NEW YORK STAFF

AMERICAN CYANAMID, which has been reshaping its business into pharmaceuticals and special chemicals and reducing its traditional bulk chemicals interest, has *reported a 48 per cent increase* in second-quarter net earnings to $56.5m from $38m a year ago.

Earnings a share for the group rose to $1.21 from 76 cents, and from 67 cents if discontinued operations are excluded. Sales during the period rose by 12.7 per cent to $1.02bn from $911m.

Mr George Sella, chairman, said all four of the group's business segments had performed better than in the same period a year earlier, with a substantial increase in worldwide sales and operating earnings from the *medical group, which includes* ethical drugs.

The agricultural group gained from strong sales of crop protection chemicals, including the introduction of a new herbicide to the US soyabean growing business.

The chemicals group, now heavily engaged in engineered materials and other high valued-added products, showed higher profits on reduced sales, while the consumer *products group gained* from increased sales in all areas, including, in particular, a new line of anti-cockroach products.

Among other US pharmaceuticals groups reporting, SmithKline Beckman reported a 14.5 per cent *increase in sales in the second quarter* to $882.6m from $770.7m, but was able to show only a 1.8 per cent gain in net profits to $123.4m ($1.59 a share) from $121.4m ($1.54 a share).

Mr Henry Wendt, chairman, said *the sluggish earnings growth* had resulted from heavy advertising and promotional costs arising from the reintroduction of Contac, the cold relief compound, which the company had to withdraw from the market in March after an incident of tampering. The incident cost the company about $10m, or 6 cents a share, at the pretax level, Mr Wendt said.

Bristol-Myers, which reported a 4 per cent *drop in net earnings (to* $119.3m 84 cents a share) from $124m (88 cents a share), also attributed the dip to the cost of withdrawing some of its non-prescription products from the market.

The company announced on June 20 that it was withdrawing all non-prescription capsule-packed products from sale because of tampering. Sales at Bristol-Myers rose 9 per cent to $1.17bn from 1.07bn a year earlier.

According to Mr Richard Gelb, chairman, earnings a share in the quarter would have been 14 cents higher but for the cost of withdrawing products vulnerable to tampering.

Sterling Drug showed a 10.6 per cent increase in net earnings to $36.5m (62 cents a share) from $33m (55 cents), on sales of $488.8m against $430.6m. Mr John Pietruski, chairman, forecast strong sales and earnings growth during the remainder of the year.

Schering-Plough showed a 30 per cent increase in net income for the second quarter to $71.8m (1.16 a share) from $55.2m (91 cents a share) a year earlier. Sales rose 13 per cent to $585.3m from $519m. The company said comparisons with 1985 had been restated to reflect the recent merger with Key Pharmaceuticals.

Mr Robert Luciano, chairman, said that substantial sales gains in US pharmaceutical markets had been led in over the counter sales of Fibre Trim, a diet aid, and of Afrin, a nasal decongestant. On the prescription products side, sales of *drugs to treat asthma, hypertension* and angina had been especially strong.

Ford talks on Alfa stake reach 'conclusive phase'

BY KENNETH GOODING IN LONDON

FORD, the world's second-largest motor company, said yesterday its talks about taking a shareholding in the state-owned and heavily loss-making Alfa Romeo cars group of Italy had reached "a conclusive phase."

The US group added: "First indications of the study confirm the advantages of a *long-term* association between the two companies.

"Detailed discussions between Ford and Finmeccanica (the holding company subsidiary of the Institute for Industrial Reconstruction and Alfa's major shareholder) are continuing on the *financial* and economic aspects related to Ford acquiring an equity interest in Alfa Romeo."

The companies announced two months ago they would carry out a feasibility study about an association and raised the possibility of Ford taking a majority stake in Alfa.

Italian sources have suggested Ford might take an initial stake of between 30 per cent and 49 per cent of Alfa, linked with a production agreement which would make full use of Alfa's car assembly capacity.

Under the terms of the deal being discussed, it is understood Ford could increase its holding to 51 per cent after a period between one and three years and the two sides have discussed a joint investment programme of $1.3bn over the next eight years.

BASF, Siemens in joint venture

BY DAVID BROWN IN FRANKFURT

BASF, the large West German chemicals group, is discussing the formation of a joint venture with the Siemens electricals concern to market data hardware.

BASF said the two groups were discussing "a partnership in the *compatible systems field*," which it is understood to mean they are forming a new company to take over BASF sales of computer hardware and peripherals.

These accounted for some 55 per cent of its DM 1.05bn ($500m) Data Technology division turnover last year.

Imasco sells waste unit

BY ROBERT GIBBENS IN MONTREAL

IMASCO, the tobacco products, fast food, financial services and retailing group, has made its first big asset disposal since it acquired Genstar earlier this year for C$2.5bn (US$1.8bn).

The group, 40 per cent owned by BAT Industries, has sold GSX Corporation, Genstar's waste management subsidiary in the US to Laidlaw Transportation of Toronto for C$513m cash. Subject to certain technical approval in the US, the deal closes on September 3.

Imasco is well on the way to achieving its objective of net after-tax proceeds of C$800m from the sale of Genstar's non-financial services assets.

Its objective in the Genstar takeover was to keep only Canada Trustco, the country's seventh largest financial institution.

The large Genstar assets remaining to be sold in several packages include cement and building materials subsidiaries and real estate holdings in Canada and the US.

Laidlaw, one of Canada's most aggressive companies in waste management and transportation deals, said at the end of June that Imasco was asking too much for GSX.

Laidlaw recently failed in a US$225m bid for Mayflower, the US transportation group, but in the process made several million dollars profit on its holding of Mayflower shares. In the six months ended February 28, Laidlaw bad net earnings of C$30.3m or 43 cents a share on reveoues of C$359.8m.

Allied-Signal income up 22%

BY ADRIAN DICKS IN NEW YORK

ALLIED-SIGNAL, diversified US manufacturing group, has reported a 22 per cent increase in net income for the second quarter to $186m from $152m.

Earnings a share dropped to 99 cents from the previous year's $1.81, but the company said this reflected the big increase in the number of shares outstanding from 83m a year ago to 177m because of consolidation of Signal in September last year.

Sales in the second quarter, at $2.94bn, were up 22 per cent from the previous year's $2.41bn. Net income from the group's three operating segments – aerospace and electronics, automotive and engineered materials – rose 72 per cent to $169m from $98m.

For the first half Allied-Signal's net income was $372m on sales of $5.85bn, against $286m on sales of $4.86bn in the same period a year earlier.

Mr Edward Hennessy, chairman, expressed satisfaction with the second-quarter results. There bad been a strong operating performance from the business brought into the group by Signal, as well as improvements in the aerospace sector and in fibres.

The spinning off last year of the Henley Group and a sweeping restructuring programme had created "a new Allied-Signal of related core businesses that are strong, profitable and growing," Mr Hennessy said.

"Despite the pressure on current earnings caused by a weak economy, we will continue to make substantial investments in the development of technology-driven programmes that will ensure long-term earnings growth for the company."

The main areas of oew investment would include new engines, avionics and actuation systems for civil and military aircraft, anti-skid brakes and fuel injection systems for cars and development of new materials such as Spectra high-strength fibres and Metglas amorpbous metal alloys.

Henley, a collection of various businesses deemed by Mr Hennessy no longer to be ceotral to Allied-Signal's interests, was set up under Mr Michael Dingman, formerly Allied-Signal's president. It bas recently floated off shares to investors.

High ingot prices put Alcan ahead

By Our Montreal Correspondent

HIGHER INGOT prices, strength in fabricated products and lower interest costs brought a major turnaround in Alcan Aluminium's second quarter and first-half results.

In addition, the company completed an extensive rationalisation programme and the associated write-offs during 1985. For the first half, Alcan reports a net profit of US$138m or US$1.38 a share against US$25m or US$0.25 a year earlier, on sales and operating revenues of US$2.99 bn against US$2.84bn a year earlier.

Total shipments were 1,092,400 tonnes against 1,097,300 tonnes.

Sales of fabricated products were 728,900 tonnes, up from 677,600 tonnes a year earlier.

In the second quarter, Alcan earned US$106m or US$1.06 a share against a loss of US$5m a year earlier. Sales and operating revenues were US$1.56bn against US$1.47bn. Shipments in all forms were 552,400 tonnes against 552,100 tonnes, and fabricated sales were 386,900 tonnes against 353,700 tonnes.

The company said the impact of higher prices and lower costs for fabricated products were felt particularly in North America in the first half.

European operations were better, and included a US$29m gain on the sale of Alcan's interest in Hunter-Douglas of the Netherlands.

But Pacific operations were weaker year-to-year, although some improvements occured in the second quarter.

U.S. quarterly results

EUROPEAN AMERICAN BANK
Consortium bank

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	3.5m	2m
Net per share	n/a	n/a
Six months		
Revenue	–	–
Net profits	7m	3.7m
Net per share	n/a	n/a

FIRST INTERSTATE BANCORP
Bank holding company

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	84.7m	78.7m
Net per share	1.80	1.67
Six months		
Assets	49.2bn	46.6bn
Net profits	163.7m	148.2m
Net per share	3.51	3.24

GILLETTE
Toiletries

Second quarter	1986 $	1985 $
Revenue	676.5m	595.2m
Net profits	46.8m	43.1m
Net per share	0.75	0.70
Six months		
Revenue	1.30bn	1.15bn
Net profits	91.8m	81.9m
Net per share	1.45	1.33

JOHNSON CONTROLS
Divers. industrial products

Third quarter	1985-86 $	1984-85 $
Revenue	602.5m	417.1m
Net profits	13.5m	19.6m
Net per share	0.62	0.80
Nine months		
Revenue	1.93bn	1.13bn
Net profits	55.8m	43.3m
Net per share	2.74	2.82

LIBBEY-OWENS-FORD
Fluid power, plastics products

Second quarter	1986 $	1985 $
Revenue	366m	307.7m
Net profits	*22.7m	21.6m
Net per share	7.27	1.79
Six months		
Revenue	715.7m	590.7m
Net profits	*98.8m	40.8m
Net per share	7.87	3.38

* Includes $85m gain on sale of glass business

PENN CENTRAL
Energy, electronics

Second quarter	1986 $	1985 $
Revenue	579.7m	613.8m
Net profits	34.1m	26.5m
Net per share	0.84	0.66
Six months		
Revenue	1.21bn	1.29bn
Net profits	59.5m	71.2m
Net per share	1.47	1.77

SOUTHWESTERN BELL
Telephone Holding Co.

Second quarter	1986 $	1985 $
Revenue	[illegible]	1.9bn
Op. net profits	258.5m	236.9m
Net per share	2.60	2.37
Six months		
Revenue	3.92bn	3.76bn
Op. net profits	484m	471.5m
Net per share	4.86	4.74

TRANSAMERICA
Financial services

Second quarter	1986 $	1985 $
Revenue	1.52bn	1.45bn
Net profits	67.1m	32.2m
Net per share	0.69	0.48
Six months		
Revenue	2.93bn	2.79bn
Net profits	110m	70.2m
Net per share	1.20	0.70

UNION CAMP
Paper, chemicals

Second quarter	1986 $	1985 $
Revenue	499.4m	477.8m
Net profits	28.6m	24.7m
Net per share	0.58	0.51
Six months		
Revenue	994.4m	941.3m
Net profits	50.6m	54.5m
Net per share	1.03	1.12

ZALE
Jewellery retailer

First quarter	1986-87 $	1985-86 $
Revenue	259.8m	220.1m
Net profits	1m	†2.4m
Net per share	0.06	†0.19

† Loss

Cray Research sales surge

By Our Financial Staff

CRAY RESEARCH, the leading US maker of supercomputers, reported a large rise in profits and sales for the second quarter after installing 11 oew systems compared with four in the comparable period last year.

Net profits were $44.5m, or $1.41 a share, against $13.6m, or 45 cents, last time. Revenues rose from $77.3m to $179.9m.

This took six-month earnings from $44.5m or $1.47 a share to $75.4m, or $2.41 on sales of $321.9m ($195.9m).

In the first half Cray installed 20 systems – 17 were bought and the other three leased. Mr John A. Rollwagen, chairman and chief executive, said the company expected to install a similar number in the second half but with more being leased.

Mr Rollwagen said the company bad obtained orders for 22 systems in the first half – 10 of them from first-time customers.

SMH expects rise in yearly earnings

By John Wicks in Zurich

SMH (Schweizerische Gesellschaft für Mikroelektronik und Uhrenindustrie), Switzerland's leading watch industry group, expects a rise in group earnings for the current year, as reported briefly yesterday.

The company, which makes Omega, Swatch and Tissot watches, last year increased its consolidated profits from SFr 28.5m ($15.4m) to SFr 60.4m. SMH was formed in 1983 by the merger of Asuag and SSIH, two ailing watch groups.

B.F. Goodrich shows profits of $23.8m

B. F. GOODRICH, the US group which is combining its tyre business into a joint venture with that of Uniroyal, returned to the black in the second quarter of 1986 with net profits of $23.8m or $1.02 a share, writes our Financial Staff.

The result is struck after a $15.1m tax benefit, and compares with a loss of $352.5m a year earlier, when the company took a $365m restructuring charge.

However, sales in the latest quarter fell from $824m to $759.1m, reflecting mainly the restructuring oo the tyre side. At the six-month stage, oet profits were $3.1m or 10 cents a share, against a loss of $350.2m, oo sales down from $1.6bn to $1.5bn.

□ DIAMOND SHAMROCK, the struggling US energy and chemicals group, has signed a letter of intent to sell its Diamond Shamrock Coal unit to Arch Mineral, a privately held St Louis group, for about $135m.

The unit, based in Lexington, Kentucky, produced more than 7m tonnes of steam and metallurgical coal last year from mines located mainly in eastern Kentucky and West Virginia.

□ APPLE COMPUTER, the California-based personal computer group which last week announced a big rise in third-quarter profits, plans to buy back up to 5m of its own shares "from time to time" in open market purchases.

At curreot market prices, 5m shares would cost Apple around $150m. The repurchased shares will principally be used in connection with employee stock programmes.

□ KROGER, the Cincinnati-based supermarkets group, is to undertake a restructuring involving the sale or disposal of 100 food stores and the cutting of headquarters expenses by 25 per cent.

The plan is likely to cost between $75m and $90m after tax and require nearly 300 job cuts. The company is also considering a partial or complete sale of its drugstore operations.

INTL. COMPANIES and FINANCE

Carter Holt in Chile joint venture

BY MARY HELEN SPOONER IN SANTIAGO AND DAI HAYWARD IN WELLINGTON

CARTER HOLT HARVEY, the New Zealand timber company, has signed a US$184m agreement with Chile's Angelini conglomerate for joint venture investment projects in forestry and fisheries which will include Angelini's controlling stake in Compania de Petroleos de Chile (Copec).

The joint venture, called Inversiones y Desarrollo Los Andes, will embrace Copec's involvements in forestry and petroleum distribution.

The move has been taken to give Carter Holt greater access and involvement in global forest and fishing industries. The Chilean deal gives the new company access to the world's single largest radiata pine resource and a world-scale fishing industry, according to Mr Richard Carter, chairman of Carter Holt.

Copec has forests covering 228,000 hectares. Its pulp production is more than 360,000 tonnes a year and the combined catch of its fishing fleet more than 700,000 tonnes a year.

Carter Holt has existing forestry operations in New Zealand and Australia. Mr Carter says it will now have access to the North American markets as well as the growth markets of Asia.

Carter Holt's investment, for which it will borrow abroad, will be carried out under a programme to be drawn up during the next six months.

In addition to its forestry and fishing activities, Copec also controls some 43 per cent of Chile's petrol distribution market. It has a 45 per cent stake in a coalmine with an annual capacity of 850,000 tonnes and owns two public power distribution companies.

Angelini's principal holdings include fishing, lumber and paper companies, a dairy products company as well as Copec, its largest interest. The joint venture with Carter Holt becomes the second largest foreign investment in Chile this year, after Allied Signal's investment in a methanol plant in the country's southernmost region.

Institution pulls out of CSR share deal

BY MARK WESTFIELD IN SYDNEY

CSR, the large Australian resources group, suffered an embarassing setback yesterday when a big institution turned down an offer of a A$90m (US$57.4m) share placement arranged in its favour.

The Commonwealth Government's Superannuation Fund Investment Trust (SFIT), which manages A$3.5bn on behalf of 320,000 public servants, decided not to take up 30m A$3 shares it was allocated out of a total placement of 80m shares designed to raise A$240m.

CSR, long rumoured to be a takeover target, arranged for the placement to go to "friendly" hands. The AMP Society, the insurance group, is expected to take up its allocation, also of 30m shares.

SFIT's pull-out will not seriously hurt CSR but it is a major vote of no confidence at a time when CSR's management is trying to convince investors that it has discarded the old, low-profits regime and is seeking better earnings in new areas such as building products. CSR's traditional involvements have been in sugar refining, energy and mining.

Mr Laurie Willett, SFIT chief executive, said the placement did not stand up as an attractive investment. He said the trust had agreed to take up the investment when it was first offered last month. But when CSR discovered that capital gains tax would hit a large part of the placement, the original one-for-10 options issue to shareholders was changed into a straight one-for-10 share issue.

Chemserve sales surge

BY JIM JONES IN JOHANNESBURG

CHEMICAL SERVICES (Chemserve), a leading South African specialty chemicals manufacturer, increased sales by a third in the first half of this year, largely because of improved demand from the mining and food industries.

Sales rose to R74.7m ($29.1m) in the six months to June from R55.6m, trading income before finance charges rose to R7.82m from R6.05m and the interim pre-tax profit was R6.18m against R4.63m.

In 1985 turnover totalled R120.6m, the trading income was R14.09m and the pre-tax profit was R11.18m.

Mr Peter Francois, the managing director, said Chemserve increased its market share and improved productivity. Early this year the company acquired two chemical equipment manufacturing companies and plans further acquisitions.

First-half earnings rose to 68.4 cents a share from 45.4 cents and the interim dividend has been increased to 25 cents from 20 cents.

JAPANESE COMPANY RESULTS

AJINOMOTO
FOODS

Year to	Mar.'86 Y	Mar.'85 Y
Revenues (bn)	615	611
Pre-tax profits (bn)	31.67	34.71
Net profits (bn)	16.09	15.03
Net per share	29.35	32.20

CONSOLIDATED

KAWASAKI HEAVY INDUSTRIES
SHIPBUILDING, MACHINERY

Year to	Mar.'86 Y	Mar.'85 Y
Revenues (bn)	821	825
Pre-tax profits (bn)	2.47	7.00
Net profits (bn)	†1.29	6.01
Net per share	†0.69	6.04

CONSOLIDATED

NIPPON MINING
PETROLEUM, NON-FERROUS METALS

Year to	Mar.'86 Y	Mar.'85 Y
Revenues (bn)	1,128	1,272
Pre-tax profits (bn)	10.70	11.35
Net profits (bn)	5.51	4.12
Net per share	7.14	5.31

CONSOLIDATED

NISSIN FOOD PRODUCTS
INSTANT FOODS

Year to	Mar.'86 Y	Mar.'85 Y
Revenues (bn)	161	153
Pre-tax profits (bn)	17.34	15.86
Net profits (bn)	8.39	8.28
Net per share	78.53	80.21

CONSOLIDATED

OMRON TATEISI ELECTRONICS
CONTROL EQUIPMENT

Year to	Mar.'86 Y	Mar.'85 Y
Revenues (bn)	277	294
Pre-tax profits (bn)	12.44	25.88
Net profits (bn)	2.58	10.90
Net per share	16.03	53.86

CONSOLIDATED

TAISEI
CONSTRUCTION

Year to	Mar.'86 Y	Mar.'85 Y
Revenues (bn)	1,162	1,146
Pre-tax profits (bn)	26.46	31.46
Net profits (bn)	4.46	12.21
Net per share	6.72	15.77

CONSOLIDATED

TORAY INDUSTRIES
SYNTHETIC FIBRE

Year to	Mar.'86 Y	Mar.'85 Y
Revenues (bn)	787	783
Pre-tax profits (bn)	26.57	26.89
Net profits (bn)	10.09	13.65
Net per share	6.38	11.44

CONSOLIDATED

INTL. COMPANIES and FINANCE

Bankers Trust woos S. Montagu director

By William Hall in New York

MS BARBARA S. THOMAS, aged 39, a former Commissioner of the Securities and Exchange Commission (SEC), the watchdog agency of the US financial markets, has resigned as an executive director of Samuel Montagu & Co, the London merchant banking arm of the Midland Bank group.

Ms Thomas, who was based in Hong Kong and is an expert on the global securities markets, has joined Bankers Trust, the New York money centre bank, where she will head its international private banking division. She is leaving Hong Kong to return to New York with her husband.

Her appointment at Samuel Montagu in 1983 was regarded as a coup for the London merchant bank which has been keen to raise its international profile during a period when securities firms from around the world are jostling for position in the rapidly changing financial markets.

Ms Thomas was one of the youngest SEC commissioners and served for three years. She played a key role in the development of the SEC rules for foreign issues of debt and equity in the US securities market and was chairman of the SEC special committee on internationalisation of the securities markets.

She joined Samuel Montagu and Company as regional director for Asia/Pacific and was subsequently elected to the main board of the London merchant bank. She graduated from the University of Pennsylvania in 1966 and New York Law School in 1969.

The international private banking division of Bankers Trust provides banking, trust and investment services to institutions and individuals who are not residents of the US. It has offices in New York, Miami, London, Zurich, Geneva, Hong Kong and Singapore.

Europaper programme for Matsushita

MATSUSHITA ELECTRIC, the Japanese group which is well known for its large domestic cash mountain, is venturing into the Euro-commercial paper market for the first time with a $100m programme.

The programme, for which Credit Suisse First Boston is arranger and sole dealer, is in the name of Panasonic Finance (Netherlands) and has the parent's guarantee. It has been rated A1 plus by Standard & Poor's. Funds raised will finance the working capital needs of the group's European manufacturing operations.

Nordbanken of Sweden is arranging a $200m Euro-commercial paper programme, with the option to issue Euro certificates of deposit, with Morgan Guaranty, CSFB and First Chicago as dealers.

CSFB is leading a £50m five-year loan, including three years' grace, for Britain's Hawley Group. It carries a margin of ⅛ percentage point over London interbank offered rates (Libor), and follows Hawley's recent acquisition of Pritchard Services.

Concord Leasing, a UK subsidiary of Hongkong and Shanghai Banking Corporation, has mandated J. Henry £50m revolving advances and acceptances facility of which £30m is underwritten. The deal, with a tender panel, is for two years, with a $\frac{1}{16}$ underwriting fee and a maximum spread payable by the borrower of $\frac{1}{16}$ over Libor.

Sharp advance for Warner Communications

By Our New York Staff

Warner Communications, the entertainment, film production and cable television group, achieved a 80 per cent increase in net income in the second quarter of 1986 to $51.5m or 75 cents a share from $28.5m or 41 cents a year earlier. Sales for the period were 38 per cent higher at $644.3m against $467.4m.

For the first half, Warner's net income was $82m or $1.19 a share on sales of $1.33bn, up from $50m or 72 cents a share on sales of $1.03bn a year previously.

The second-quarter figures reflect the consolidation for the first time of the former 50 per cent interest in Warner Amex, the cable television company, which Warner bought in February from American Express. Figures in the 1985 and 1986 second quarters include after tax gains of $8.2m and $26.3m respectively from the sale of part of Warner's holding in Hasbro, the toy manufacturer. The holding has now slipped below 20 per cent, Warner said, and will no longer be accounted for on the equity basis with effect from June 1.

New Zealand cashes in on demand for FRNs

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

NEW ZEALAND cashed in on the current demand for floating-rate notes from highly-rated sovereign borrowers to launch a $600m issue yesterday on what bankers said were unusually tight terms even for this cut-throat sector of the Euromarket.

Led by Salomon Brothers, the seven-year deal carries interest at the six-month bid rate for Eurodollar deposits (Libid) and is priced at 100.275. The premium pricing means that the straight-line yield to investors falls below the reference Libid rate.

The terms initially left some dealers reeling in disbelief, but the paper met steady demand and Salomon Brothers was quoting the paper at 100.22 yesterday evening, within its 10 basis point total fees.

Though New Zealand's last issue, launched in May carried a margin of ⅛ per cent over six-month Libid, it was for a smaller amount of $250m. The new deal should be more liquid in the secondary market and is three years shorter with call protection at par for the first four years, bankers said. That left the terms looking "at the right side of tight" at the end of the day, said one.

Also in the floating-rate market yesterday was City Federal Savings Bank of the US which launched a $75m seven-year bond through Shearson Lehman Brothers International. This is the latest in a series of popular issues for US savings and loan associations which are collateralised by holdings of US government agency paper.

Here again the terms are being shaved. Priced at par, the deal carries interest at a margin of 5 basis points over three-month Libor, less than the $\frac{1}{16}$ margin applied to a $100m issue by Santa Barbara Savings and Loan last week.

However, investors still seem willing to buy such paper as long as it carries a return, albeit slim, over Libor and the deal closed well within its 25 basis point fees.

By contrast, De Bartolo Capital Corporation, the financing arm of an Ohio-based property developer, met a lukewarm reception in the fixed-rate market with a $120m, 10-year 8 per cent issue launched at par through Chemical Bank International.

This bond is guaranteed by Financial Security Assurance, a specialised insurance company that carries an AAA rating from Standard & Poor's. Technically the terms thus looked generous as they gave a net margin of 105 basis points over the equivalent US Treasury issues, but the lack of familiarity with both the borrower and the guarantor left investors unenthusiastic in a generally lacklustre market.

The issue slid to a discount of 2¼ per cent, outside its 2 per cent fees and the margin over US Treasuries widened to around 109 during the day.

Japanese equity-related issues have been declining in popularity recently and, with steep falls in the Japanese stock market yesterday, Mori Seiki, a machine tool manufacturer, chose an unfortunate moment to launch a new $60m, five-year issue carrying an indicated 2¼ per cent coupon and a 2½ per cent exercise premium. Dealers said the issue, led by Yamaichi International, met only slow demand. Mori Seiki also launched a small SFr 30m placement in the Swiss market.

D-Mark issues were little changed to slightly higher, especially for supranational issues. Electricite de France launched a DM 300m, 10-year, 6½ per cent issue at 99¾ per cent through Deutsche Bank which came too late in the day to trade actively.

Swiss issues were slightly firmer where changed in moderate turnover. Nippon Telegraph and Telephone's SFr 200m, 5 per cent issue opened secondary market dealing at 99 compared with its issue price of par, though some bankers said they detected light lead-manager support.

Salomon Brothers priced the $100m issue for Newmont Mining which is convertible into Du Pont shares with a coupon of 7 per cent, at the lower ends of the indicated 7-7½ per cent range. The conversion premium is 17.9 per cent. Also priced yesterday was the $30m deal for Mitsubishi Plastics Industries which will carry a 2½ per cent coupon, as indicated, and an exercise premium of 2.56 per cent.

Oil finance for North Yemen

NORTH YEMEN's state-owned petroleum company is borrowing $200m from a group of mainly Arab banks to finance the import of oil, bankers said yesterday.

The five-year loan is for Yemen Oil and Minerals Corporation (Yominco) and is designed to tide the country over until it is able to start tapping its own recently identified oil reserves, Reuter reports from Bahrain.

The loan is being arranged as a club deal by the Jeddah-based National Commercial Bank. Co-arranger is the Bahrain-based Arab Banking Corporation (ABC). The loan has a two-year grace period, with principal repayments geared to start when Yemen's own oil production starts.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on July 21

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Exp. Os. Cr. 5⅞ 91	20	98⅝	99⅛	+0⅛	+0½	6.18
Denmark 6⅜ 96	10	101⅜	101⅞	+0⅛	+0⅛	6.14
Dow Chemical 6⅜ 01	25	93⅝	94⅛	+0⅛	+0⅛	7.03
EIB 6⅜ 96	25	103⅜	102⅞	+0⅛	0	5.96
Province de Quebec 6 95	20	†96⅛	96⅝	+0⅛	+0⅛	6.44

Average price changes on day 0⅛ on week +0⅛

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week—Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial du France (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

UK COMPANY NEWS

Heavy US loss hits Case Group

Case Group, maker of data communications systems, showed a sharp downturn from a profit of £10.6m to a loss of £14.73m in the year ended March 31 1986.

In the US there was a loss of £19m compared with a profit of £3.26m and in the UK profits fell from £7.25m to £4.36m.

There is no final dividend to leave the 0.45p interim as the paymeot fur the year, compared to a total of 1.35p. The loss per share was 23.58p (earnings 11.59p).

The loss for the year was struck after exceptional charges of £2.15m, comprising £1.95m on gain on sale of a property, £1.08m redundancy costs in the UK and the US, and £3.1m for a write-down in stocks in the US made nbsolete by a change in product strategy.

Hnwever, steps taken to bring about a return to profitability include a big reduction in the cost base of both nperating companies, including a cut of 12.5 per cent in the workforce, and strengthened management.

The UK was expected to make a strong contributioo in the curreot year, while the US should becnme profitable on a month-by-month basis before the end of the financial year.

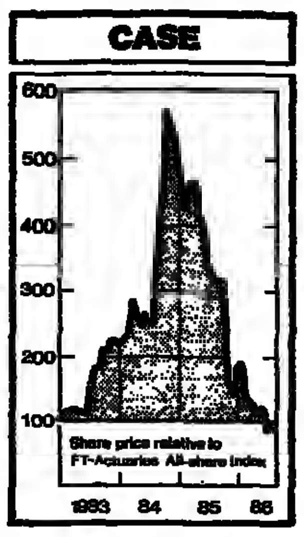
In 1985-86, turnover was little changed at £95.36m (£95.14m). Most costs were higher, iocluding sales and marketing £30.67m (£17.62m), research and developmeot £12.85m (£10.23m), and interest payable £2.87m (£372,000).

Mr Duncan Fitzwilliams, chairman, reported that the market for group products grew at a substantially slower rate than predicted by the company and by independent analysts.

The situation particularly hit the US company, Case Communications, as it was investing heavily in the transition from supplyiog commodity-type products through distributors to the direct sale and support of value-added netwnrking systems.

He considered that mnve an esseotial part of peoetrating a market that represents over 60 per ceot of the entire world demand for data communicatinns equipmeot.

The balance sheet remained stroog, he commented. Established banking facilities had been sufficient to satisfy expansion into the US and were recently increased. There were plans for the sale or refinancing of certain UK properties.



● comment

It was a contrite Case that prostrated itself before the City yesterday. Much of the wind was taken out of its critics' sails as the company scourged itself with phrases such as "unrealistic sales targets" and "series misjudgments." Perhaps it should also have been wearing a hair shirt emblazoned with the legend "bought at the top of the market": datacoms, after all, is a bit of a boom-and-bust business, and with the benefit of bindsight it looks as though Case's near-fatal mistake was buying into the US at just the wrong point in the cycle. That said, if Case really has now reached the bottom of the trough, it is suddenly looking rather alluring as a recovery stock at its three-year low of 64p. Further US losses and the weight of interest charges mean there is unlikely to be much black ink in the current year, but a firm hand on overheads should leave room fur a good £7m in the UK and £3m to £4m in the US the year after for a prospective p/e of around 5 after a 25 per ceot tax charge. And if that seems a long way off: well, the likes of GEC, Plessey and Siemens can do sums too.

IFICO suspended as loss is forecast

By Clive Wolman

THE shares of the Industrial Finance and Investment Corporation (IFICO), a financial services company, were suspended yesterday on the London Stock Exchange after it announced an anticipated loss in the financial year to June and a cash injection.

The loss arose partly as a result of provisions from IFICO's withdrawal from the venture capital market. But profits in its other businesses were also substantially below those of the previous year.

IFICO also announced yesterday its acquisition of a Chelmsford-based commercial insurance brokerage company, FMW Holdings. IFICO would pay £4.25m initially for the purchase with further payments of up tn £2m possible, depending on the level of profitability over the next two years in one of the FMW subsidiaries.

The £4.5m payment would be financed by the issue of 5.67m shares to APA Holdings, the Australian life assurance and financial services group. In addition, IFICO proposed to raise another £2m after expenses through a rights issue to provide the company with additional working capital. APA would underwrite the issue.

IN BRIEF

A.C. CARS has agreed to purchase, through o new wholly-owned subsidiary, the stockbroking firm of John M. Dnuglas and Ekyn Bros. Subject to the necessary Stock Exchange approvals being obtained no later than November 18, 1986, purchase price of £67,701 for goodwill and assets, together with a sum equivalent to interest on existing partners' capital and current accounts remaining in the business up to completion, will be paid in casb at completion to existing part-

SHANDWICK is to buy the outstanding capital in Greyfriars Bishop, a City-based financial and corporate public relations consultancy in which Shandwick's subsidiary, Leslie Bishop Group, has a minority interest. Consideration for the 425 £1 ordinary owned by the Guidehouse Group is £7,089. Consideration for the purchase of 150 "A" shares from Mr John Ford, managing director of Greyfriars Bishop, is 2,941 2p ordinary in Shandwick.

STAVELEY INDUSTRIES has bought a further 400,000 shares in National Controls, of California, for $2.9m (£1.9m) cash. The purchase increases Staveley's holding in National Controls, through its US subsidiary, from 38.6 to 56.9 per cent. National Controls specialises in the manufacture and sale of electronic weighing and counting equipment.

BOARD MEETINGS

The following companies have notified dates of board metings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Bensons Crisps, Consultants (Computer and Financial), Crescent Japan Investment Trust, Kellock Trust, Leds Investment Trust, New Tokyo Investment Trust, St Andrew Trust.

Finals: AAH, British Bloodstock Agency, Burndene Investments, Kenyon Securities, J. T. Parrish, Sound Diffusion.

FUTURE DATES

Interims—

Jobsons Drilling	July 31
Johnstone's Paints	July 31
Weco	July 30

Finals—

Great Universal Stores	July 23
Jacksons Bourne End	July 23
MS International	July 30
Stavert Zigomala	July 30

UK COMPANY NEWS

Asda-MFI pins hopes on own label

BY CLARE PEARSON

ASDA-MFI, the supermarkets and furniture retailing chain, produced pre-tax profits of £166.4m for the 53-week period to April, as against £158.2m for the 52-week 1984-85 period. This result was around the level of City expectations.

Sir Noel Stockdale, the group's chairman, commented that Asda-MFI had suffered a sluggish first half, but that during the year the group had entered upon a major reconstruction of its operations, which should yield significant future benefits. In particular, Asda has started a rapid programme of introducing own-label goods, which he said, were beginning to produce improvements in trading margins.

Asda-MFI shares closed last night at 142p, down 4p.

The figures show that turnover rose from £2.26bn to £2.52bn. The decision to capitalise interest payments on property developments meant net interest income increased from £900,000 to £4.4m. There was also a £3.1m charge for a new profit sharing scheme, introduced last October.

A £18.4m reduction in the tax charge helped post-tax profits rise to £114.9m (£88.3m). Earnings per share were 10.13p (7.8p) and there was a final dividend of 1.90p (1.60p), bringing the dividend for the year to 3.15p (2.75p).

Only four new Asda stores were opened during the year, the smallest programme for many years. But eight new stores are definitely planned for the current financial year. This will extend Asda's expansion into the South of England.

Asda planned to extend its presence there substantially over the next three years, with a particular focus on the area round north London. Stores in Colindale, Finchley Road, Watford and Hillingdon are planned.

About 700 own brand goods have been introduced at ASDA stores since February, and a further 1,500 should be added this year.

ASDA's turnover rose from £1.73bn to £1.93bn and its operating profit moved up to £103m (£96.3m). The operating margin, however, was slightly down, at 5.3 per cent (5.56 per cent).

MFI saw 12 new stores opened, and an extension of its product range to include fitted bedrooms and kitchens. During the year Harris Queensway took over its position as Britain's leading furniture and floor-covering retailer, however.

MFI's operating profit rose modestly to £46.3m (£43.2m) on turnover of £386m (£325m).

Thirteen new Allied Carpet Stores have been opened, and the subsidiary has also begun to diversify into other home furnishings. Its operating profit rose slightly from £7.3m to £7.5m on turnover of £94.7m (£82m).

Associated Fresh Foods reported £12.3m (£11.4m) operating profit on turnover of £178m (£173.3m).

Sir Noel Stockdale described ASDA's five-week-old venture into car sales, Asdadrive, through four outlets, as "a low-cost experiment." It was too early to guage its success.

Initial investment in Asdadrive was less than £1m since ASDA could take advantage of existing store footage to reduce its overheads.

The four outlets for Asdadrive are at superstores at the Isle of Dogs, London (Austin Rover); Waterlooville, (Hampshire) (Peugeot Talbot); Beckton, London (Fiat); and Middlesbrough (Hyundai).

See Lex

Sir Noel Stockdale, chairman of the Asda-MFI Group, pictured in the Asda store in Harrogate.

	1986 £m	1985 £m
Turnover	2,516.6	2,259.4
Operating profit	165.1	157.3
ASDA Stores	103	96.3
Ass. Fresh Foods	12.3	11.4
MFI	46.3	43.2
Allied Carpets	7.5	7.3
Interest/other	4.4	0.9
Profit sharing†	3.1	—
Pre-tax profit	166.4	158.2
Tax‡	51.5	49.9
eps	10.13p	7.8p

† Deduction

Omnitech seeks funds for marketing via USM place

BY WILLIAM DAWKINS

A START-UP venture seeking £1m in new equity to fund the promotion and marketing of a new kind of packaging machinery is one of the latest entrants coming to the Unlisted Securities Market.

Aylesbury-based Omnitech has spent the past three and a half years developing its Omnitrac horizontal packaging machine, mainly for food and consumer goods. It has received backing of £300,000 from Gresham House investment trust, which will end up with a third of the equity after the placing. Omnitech is aiming for a market capitalisation of around £5m, and plans to issue 3m shares, 16.6 per cent of the total. The final price will be decided at the end of this week, with dealings expected to open a week later.

The machine was developed by 43-year-old Mr Michael Barker, Omnitech's managing director and former senior engineer with M&M Mars, International Playtex and J. Lyons. Omnitech claims that its product is easier to repair than competitors due to its modular construction, quieter than most models, and that it can reduce raw materials costs by 15 per cent by cutting waste.

No commercial sales have yet been made, after research and development costs so far totalling £350,000, but the company has concluded three-year distribution agreements with TI Packaging and Kliklok, one of the largest US suppliers of packaging machinery.

The two distributors have agreed to find orders for at least 10 machines each for the first year. While unable to make profits forecasts, Omnitech points out that 20 machines represent a turnover of £1.3m, on which it would make a net profit of £255,000, rising to £336,000 before tax.

Omnitech is also ready to produce prototypes of a second machine, Omniscan, an electronic quality inspection device, for which it says "considerable commercial interest has been shown." The company is advised by licensed securities dealers Security Exchange and the shares are to be distributed by stockbrokers Greig Middleton.

Neil & Spencer reduces losses in the first half

Neil & Spencer Holdings, laundry and dry cleaning equipment manufacturer, which recently approved a £1.6m rights issue, cut its losses in the six months to May 31 1986. Figures announced yesterday showed a pre-tax loss of £81,000, compared with profits of £405,000, following losses of £264,000 in the second half of last year.

The outlook for the second half of this year remained difficult, said the directors. Order intake varied from one company to another, but the impact of the biennial exhibition, to be held this year in Paris, would end the delay to order placing.

Nevertheless, the company was confident that the development expenditure incurred over the past few years had ensured that the product range was a good one. Properly marketed, it would enable the company to regain an improved share in a competitive market.

The slightly lower turnover, down from £20.52m to £19.39m, reflected the disposal of the last remaining activity not connected with the traditional business.

The directors said the results for the first half were less favourable than had been hoped for and "indicate clearly that the measures being taken to deal with the areas of concern in the business are long-term ones."

Operating profit in the opening half fell from £1.04m to £551,000. Interest payable was static at £632,000 (£633,000). Tax was down from £268,000 to £103,000, and there were minorities of £2,000 (£14,000).

The loss per 10p share was 0.7p compared with earnings of 0.5p. Shares closed yesterday unchanged at 24p.

GRANADA GROUP'S Canadian rental and retail company has acquired Sterisystems, a television services company, from Helix Investments, for C$17m (£8.3m) cash. Sterisystems rents televisions to patients in more than 250 Canadian hospitals.

MOORGATE MERCANTILE Holdings had made a promising start to the current year and targets were well in advance of last year's budgets, said chairman Mr Julius Silman; and he believed that the growth rate would be accelerated.

Naming of Beecham successor imminent

By Tony Jackson

The Beecham Group will announce its new chairman within three weeks, acting chairman Lord Keith told shareholders at the annual meeting yesterday. Four new non-executive directors are to be announced at the same time.

Lord Keith, who took over as chairman when Sir Ronald Halstead was sacked from the post last November, said that on the appointment of the new chairman he would resume his former post as vice chairman and then retire in a year's time. Lord Keith will be 70 next month.

A new finance director is also to be appointed, to replace Mr Ted Bond, who is now in charge of cosmetics and home improvements.

Roger Taylor

Lord Keith, acting chairman of Beechams

Shareholders queried the scale of compensation to Sir Ronald for his dismissal, and asked about the costs of securing a successor. There were, however, no voices raised in the former chairman's support, nor any criticism of the dramatic way in which he was sacked.

Lord Keith said the £487,000 compensation given to Sir Ronald, which had been negotiated between two firms of City lawyers, was "regarded as fair and reasonable, and also as the amount the former chairman would have got had he gone to court."

The current year had started well. "Organic growth in the second half of last year was 10.9 per cent compared with a small decline in the first half, and earnings per share showed an increase of 6.6 per cent," he said.

"This improvement has continued into the first three months of the current year. Trading profits for the first quarter are ahead of our internal budget and of the comparable figures for the same period last year."

Prescription medicine sales were well above the level of last year, particularly in most of Beecham's important European markets, and in the US, where the antibiotics Augmentin and Timentin had made good progress.

Norcliff Thayer, the US proprietary medicines business bought last November for £274m, had more than fulfilled expectations, Lord Keith said. "It will make a positive contribution to group earnings in the first half of the current year, and a worthwhile contribution for the year as a whole," he said.

claim that Beecham had been treated with "venom" in the Press, Lord Keith said the group had appointed new public relations consultants to deal with the press and the City. "I would not like to comment on whether the press have been fair or unfair," he said. "Over a long career I've always found they get the last word."

Cheshire Wholefoods shares rise 7p

A confident statement from Mr Ian Thomson, the chairman, pushed up the shares of Cheshire Wholefoods, by 7p to 230p yesterday.

On the current year's trading he said that, although only three months had elapsed, it had started well and trading was ahead of target.

The company's principal activity is the preparation of natural muesli breakfast and other wholefood products; nine new products were scheduled for this year and the directors viewed the future with confidence, he said.

The company came to the USM in November 1985 and in its first year, to March 31 1986, produced turnover of £6.66m (£4.6m) and pre-tax profits of £627,000 (£316,000).

Mr Thomson said to develop the product range further, new machinery was installed and an additional unit taken on. He was confident that sales would result in the next financial year, 1987-88.

Blackwood Hodge calls for £13m boost to funds

BY TERRY POVEY

Blackwood Hodge, the construction equipment distributor which came close to collapse three years ago and recently failed in a bid for Benford Concrete, is raising £12.8m net in a two-for-five rights issue priced at 39p.

The main reason for the rights is to boost BH's shareholders' funds — which fell from £65.7m in 1982 to £27.9m at the end of last year. In the first six months of 1986 adverse currency movements reduced the total of reserves plus share capital by a further £2.4m.

Although the group has seen a significant recovery in pre-tax profits since the run of losses in the early 1980s and has cut total debt by £50m, the erosion of shareholders' funds left the gross borrowing ratio stubbornly high at 128 per cent at the end of 1985.

According to BH the ratio of gross borrowings to shareholders' funds will fall to 62 per cent after this issue and the acquisition of the assets of the Fiatallis franchise in Australia, for which A$5.4m (£2.4m) is being paid. The proceeds of the issue will be used to make the Australian acquisition and to reduce borrowings.

BH is developing its links with Fiatallis, the earthmoving equipment manufacturer, and has recently signed agreements covering Australia, Canada and parts of Africa. In the first full year the Australian distributorship should contribute operating profits of A$1m. In other expansion moves BH paid £1.8m for Talbot Diesels in November and £500,000 for Steelcrate in February.

On current trading, the BH board estimates that first half pre-tax profits were £2.7m (£2.2m) on turnover almost static at £108m. Interest payments were down to £2.6m from £3.7m and earnings per share should be 18 per cent above 1985's comparable 1.36p. In the absence of unforeseen circumstances, BH intends to pay 0.5p a share for interim and final dividends, making a 1p total—the first payout since 1982. The new shares will not qualify for this year's interim dividend.

The two Sunley family trusts, which between them own just under a third of BH, are not taking up their rights under the issue and the 10.92m shares involved are being placed at 41.9p fully paid by Morgan Grenfell and Cazenove. Morgan Grenfell is underwriting the balance of the issue. After the rights BH will have almost 119m shares in issue.

The rights issue is subject to shareholders approving an increase in authorised capital plus the board's allocation plans at a meeting on August 6. Dealings should begin in the new shares on August 7. The shares closed at 43½p, down 4½p.

See Lex

Standard rescuers may be invited to join board

BY DAVID LASCELLES, BANKING CORRESPONDENT

Sir Y. K. Pao, the Hong Kong shipping magnate, is expected to be invited to join the board of Standard Chartered Bank today following his dramatic intervention in the recent £1.3bn takeover bid by Lloyds Bank.

Standard's board will be holding its first meeting since Sir Y. K. and other large individual investors frustrated the Lloyds' bid by acquiring large blocks of Standard shares. Sir Y. K. holds just under 15 per cent.

It was not clear yesterday whether Tan Sri Khoo Teck Puat, the Malaysian businessman with five per cent, and Mr Robert Holmes a Court, of Australia, who yesterday raised his stake from 7.5 per cent to just over 8 per cent, will also be invited on to the board.

News of Mr Holmes a Court's purchase pushed Standard's share price up a further 10p to 753p, which means it is now higher than the 750p first offered by Lloyds.

The board will also consider the position of Mr Stuart Tarrant, the bank's chief financial officer, who has said he wants to leave after apparently favouring the Lloyds takeover.

Temple Bar up to £2.6m

Pre-tax profits at Temple Bar Investment Trust rose from £2.02m to £2.62m in the six months to June 30 1986. The interim dividend is increased from 2p to 2.4p net to reduce disparity—last year's total was 5.3p from pre-tax profits of £4.76m. Stated earnings per 25p share were higher at 3.277p compared with 2.575p.

The directors said that the managers have continued to concentrate the portfolio into fewer holdings. The fund has performed well against the key indices and, partly as a result of takeovers, the portfolio had higher liquidity than usual.

Franked investment income totalled £2.32m against £1.77m, and unfranked investment income was £89,000 (£90,000). Other interest receivable and similar income amounted to £505,000 (£277,000). Investment management and administration expenses, concerning the change in treatment of expenses, was £291,000 (£40,000). Investment trust earnings were £2.6m (£2.1m), and subsidiaries earnings were £15,000 (£75,000 loss).

The directors said that in terms of relative income, the UK equity market continued to look attractive and they were cautiously optimistic about the outcome for the full year.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
ASDA-MFI	1.9	Oct 30	1.6	3.15	2.75
Atlantic Assets	0.6	—	0.55	1.1†	0.55
Case	nil	—	0.9	0.45	1.35
Gilbert House‡	nil	—	0.5	nil	0.5
Grovebell Grp	0.1	—	0.3	0.35	0.55
Robert H. Lowe int	0.5	Sept 10	nil	—	nil
Real Time‡	2	—	2	2	2
Temple Bar Invest int	2.4‖	Sept 30	2	—	5.3

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Includes special 0.5p payment. ‖ To reduce disparity.

Home Counties in talks with EMAP

By David Goodhart

Home Counties Newspapers, which reported a loss of £461,000 last year, announced yesterday that it had opened discussions over a possible offer for the company.

However EMAP, the magazine and newspaper publisher with which it held the talks, said that the discussions had only been informal, no more were immediately scheduled, and it was not currently buying further shares in the market.

EMAP picked up an 18.8 per cent stake in Home Counties through buying the stakes of Southern Newspapers and Henry Ansbacher, the merchant bank. Mr Robin Miller, EMAP managing director, said that the relationship between the two companies remained good

Home Counties announced the exploratory discussions in view of speculation surrounding the recent rise in its share price. The newspaper group, which publishes weekly papers in London, Bedfordshire, Hertfordshire and Buckinghamshire, has faced stiff competition from the proliferation of free sheets

Before hitting problems in 1985 — which led to a closure in Luton — it made a pre-tax profit of £1.87m on turnover of £13.08m in 1984. Yesterday its share price rose 45p to close at 238p.

Gilbert House passes dividend

Gilbert House Investments' profits recovered in the second half with the inclusion of profits from the sale of dealing properties. However pre-tax results were down from £196,371 to £87,648 and the dividend has been passed after this USM-quoted company paid its first dividend of 0.5p last year.

Midway profits, with no contribution from dealing and gross rents up at £242,000 (£229,000), came out at £1,000. Turnover for the full year to March 24 1986 was £1.22m, against £1.35m.

After a tax charge of £28,868 (£19,863), earnings per 10p share came out down at 0.2p, against 0.61p last time.

COMPANY NEWS

Quickening recovery prompts R H Lowe on to purchase trail

THE UPWARD trend continues at Robert H. Lowe, the clothing manufacturer which is the principal UK client for the Addidas sports goods brand. Profits nearly doubled in the half year to April 30 1986, to £231,000 against £120,000, and there is a dividend for the first time since 1983.

The directors were confident yesterday that the improvement would continue into the second half, and announced that the company was in negotiations for an acquisition, as yet unnamed.

With halfway earnings per share at 7p compared with 3.68p, the dividend is resumed with a 0.5p payment. The directors said that they would be recommending a higher final "provided no unforeseen adverse factors arise."

Group turnover rose from £3.89m to £4.74m, despite the poor spring weather which seriously affected the UK retail trade. But the improvement in profits "reflects the increased efficiency and productivity achieved through our re-organisation plans, which include the re-equipping of our manufacturing units," said the directors.

Trading profits totalled £288,000 (£171,000) before finance charges of £57,000 (£51,000). Attributable profits came out at £224,000 (£120,000), and after total dividends of £17,000 (£3,000 for the preference shareholders) retained profits were £207,000 (£117,000).

Reviewing the year's trading by division, the directors said each section of the enlarged design and marketing organisation fulfilled its role well, "seeking to bring flair and creativity to new and wider ranges of skilfully designed sports and leasure wear."

The Aspatria garment factory, which now possesses a wide range of modern cutting and sewing equipment, maintained its high performance. Progress was made on the recruitment and training of additional direct operatives. Production engineering resources have been specially increased in order to seek ever-improving efficiencies in the use of labour, materials and machinery.

Congleton garment factory has made good progress in all areas, technical and commercial, albeit after starting from an unsatisfactory level of profits. In particular, the recruitment and training of the additional direct operatives—a significant problem in 1985—has been highly successful. The Board believes this improving trend will continue.

The printing/cardboard box business has maintained its market position and level of profitability. However, the transfer print business suffered problems, externally and internally, causing a drop in profits. Management changes have been made.

Real Time recovers to £0.4m

SUSTAINED demand in the second half and success in cutting costs has enabled Real Time Control, the Hertfordshire-based designer and maker of computer systems and terminals, to report taxable profits up by 32 per cent to £413,000 in the year to March 30 1986.

The recovery followed a sharp fall in profits for 1984-85 from £817,000 to £312,000.

Turnover for this USM-quoted company improved by 7 per cent from £3.74m to £3.99m.

Earnings per 5p share came out at 3.4p (3.9p) and the single final payment is being held at 2p. Dividend is being waived in respect of 5.25m of the 7m shares in issue.

The directors said that as indicated at the interim stage sustained second-half demand produced a satisfactory increase in turnover. Together with the successful actions taken to cut costs it produced an excellent recovery with operating profits improving by almost 50 per cent from £222,000 to £331,000.

The company had maintained its development to provide the retail electronic point of sale market with the latest technology, the directors added. The company was confident that the market would show explosive growth throughout the next decade.

The pre-tax figure was struck after investment income down from £90,000 to £82,000. The tax charge rose to £178,000 (£36,000).

Atlantic Assets held back

Atlantic Assets Trust saw net asset value per share rise 7.4 per cent to 143.8p in the year to June 30 1986, and the total dividend is doubled with a final of 0.6p and a special payment of 0.5p, making 1.1p in all.

The directors said that the individual stock prices performed well in the year, but that the overall performance had been restrained by two factors. First, the company had a substantial exposure to the technology sector through its investment in the Independent Investment company.

Secondly, in February the company reversed its currency hedging exercise and realised a consolidated profit of £26m on the transaction, which offset the sterling loss on the company's dollar portfolio. "Over the first eight months of the current year, however, this profit remained unrealised and consequently was not available for investment."

Since February, the dollar had continued to fall faster than sterling, reducing the had continued to fall faster than sterling, reducing the sterling value of the company's investments by over 9 per cent, but the directors still believe that a weak dollar will appreciate against an even weaker pound over the next 18 months.

Net revenue rose from £1.04m to £1.66m after tax at £915,000 (£573,000) for earnings per share of 1.31p (0.79p).

APPOINTMENTS

Senior posts at Charterhouse

CHARTERHOUSE INVESTMENT (CIM), the investment management business of The Royal Bank of Scotland Group, has made the following appointments: Mr Paul A. Field has been appointed chief administration director of CIM. Mr Field was previously managing director of MIM Britannia Unit Trust Managers. Mr Nigel G. Watson has been appointed a director of CIM and managing director of Charterhouse Fund Managers, the pension and institutional fund management business of the CIM Group. Mr J. I. Mackenzie and Mr D. A. Bentata have been appointed directors of CIM and joint managing directors of Charterhouse Portfolio Managers, the private client and trust management business of the CIM Group.

★

Mr Peter Moore, marketing director of Alton Towers, is to become director of marketing for CENTER PARCS, part of a Dutch group operating holiday villages.

★

HAMILTON STANDARD CONTROLS, a subsidiary of the United Technologies Corporation of Connecticut, US, has elected Mr Robert Russell as managing director of its recently established UK electronics division, based in Swindon, Wiltshire. He was formerly sales director of a GEC company. In his position with Hamilton Standard Controls electronics division he will be responsible for the design, development, manufacturing and marketing operations throughout Europe.

★

Mr Nicholas Cobbold has joined the WRIGHTSON WOOD GROUP as an executive director of Wrightson Wood Ltd. He was formerly chairman of E.R.I.C.

★

Mr Charles Ellis, former director and general manager, northern operations, Conoco, (UK), has been appointed to the SCOTTISH DEVELOPMENT AGENCY'S (SDA) Houston advisory group.

★

Mr Michael Edmondson has been elected to the general council of the BRITISH PROPERTY FEDERATION.

★

Mr Stanley Remington, chief executive, will retire from BOOK CLUB ASSOCIATES early in 1987 on reaching retirement age. W. H. Smith & Son Ltd and Doubleday & Company Inc—partners in Book Club Associates—have appointed Mr Graham Williams as his successor from February 2 1987.

★

Mr David W. Hardy, who has been a deputy chairman since January, has been appointed chairman of MGM ASSURANCE in place of Lord Denman, who remains a board member. Mr Hardy is executive chairman of Globe Investment Trust and joined the board of MGM Assurance as a non-executive director in July 1985. Mr Frank E. Gard and Mr David F. Sachon have been elected to the board. Mr Gard has been assistant general manager and actuary since October 1983. Mr Sachon has been assistant general manager since October 1983. Both new directors will keep their present responsibilities.

★

At NRG INSURANCE Mr S. A. J. Hill has become assistant general manager (designate) and Mr M. L. Cheik company secretary.

★

Mr Herbert James of MACFARLANES will retire as senior partner and managing partner on April 30 1987 and will remain a partner in the firm. He will be succeeded as senior partner by Mr Vanni Treves and as managing partner by Mr Roger Formby.

★

Mr John Cornwell is to join the board of PORTSMOUTH AND SUNDERLAND NEWSPAPERS as finance director on September 1. Mr Cornwell is director of finance and administration at Cawoods, a subsidiary of Redlands.

★

Mr K. P. A. Lewis, managing director of the Haymills Construction Group, also becomes chairman of R S KENNEDY & Co, the civil engineering Company of Watford recently acquired by the Group. Mr C. D. Harvey, another Haymills director, also joins the board.

★

Mr R. G. David has been appointed to the board of SIMONS DESIGN CONSULTANTS, part of the Lincoln-based Simons Construction Group, where he was previously an assistant director.

★

Mr Arnold Tasker, of Saccone & Speed, has become chairman of the WINE DEVELOPMENT BOARD in succession to Mr Don Lovell, who has held the position for the past three years. Mr Lovell, of IDV (UK), remains a director of the Board.

★

BOWER ROEBUCK AND CO has appointed Mr John Booth, formerly of Armitage and Norton, as joint managing director.

★

CHARLES BARKER SCOTLAND, has appointed Mr Robert Bain its managing director. Mr Nevin McGhee is also appointed to the board, heading the public relations division.

UK COMPANY NEWS

Arlen heading for profit recovery and dividends

Arlen, electrical group, has completed the difficult turnround of the past two years and is entering a period of very substantial profits improvement.

This was announced yesterday by Mr Leslie Hancock, executive chairman, when reporting results for the year ended March 31 1986, showing a rise in turnover from £7m to £7.6m and pre-tax profits up from £5,500 to £151,000.

Overall, the group was set to improve its performance substantially, he said, and intended to return to paying interim and final dividends in the current year. A dividend was last paid on July 1 1981.

In the 1985-86 year operating profit came to £393,700 (£252,700) and interest charges to £242,700 (£247,200) — but the current year should see a substantial reduction in borrowings and be reflected in results, said Mr Hancock.

There was a tax credit £6,900 (nil) and extraordinary charges of £27,200 (£50,800), relating to the final costs of reorganisation following closure of premises at Folkestone.

In the current year sales by the electrical companies had made a particularly encouraging start in what was traditionally a poor first half, the chairman stated. These activities would show a profit at the interim stage, as against losses in past years.

The improved performance by the original base of the group could be enhanced by growth prospects at the Columbia group, with which Arlen merged since the year-end.

Mr Hancock believed Columbia could help Arlen to develop into engineering for the electronic and defence industries. Columbia's sales were running nearly 40 per cent ahead of last year.

Steady work in Pulsestarter (for fluorescent lamps) was beginning to show worthwhile results, said the chairman. There was a regular and gradually improving order input from a range of markets which should make an increasing contribution to profits over the next several years.

● comment

Arlen's shares are now at 88p after a precipitous decline from the giddy heights of 390p in 1983 and 26p last year. The crash began when investors realised that fluorescent light starter, Pulsestarter, was not proving the moneyspinner they hoped. Chairman Leslie Hancock came in half way through the slide and can now look with satisfaction on the return to profit. Loss-making lines have been eliminated, margins improved and the company is keen to emphasise that Pulsestarter represents only around 15 per cent of its turnover. In fact, over half the turnover still comes from the prosaic business of making plugs and junction boxes. For this year, the strategy is to build up the electronic engineering division with more acquisitions to follow March's purchase of the Columbia Companies. The latter should contribute £400,000 this year but the profit-related element of the acquisition consideration will slightly dilute the earnings growth. Adding in underlying growth of 50 per cent and £100,000 sliced off interest charges pushes the p/e down from the historic 24 to a prospective nine, assuming a nil tax charge. With a return to tax probable next year, that seems a fair rating.

Medical deficit hits Grovebell

BY NIGEL CLARK

LOSSES at its medical services subsidiary and continuing problems at the Vauxhall dealership in Liverpool contributed to a fall in pre-tax profits of 39 per cent at Grovebell Group in 1985.

Turnover for this holding company with interests in garages, financial services and medical equipment increased by 22 per cent from £42.68m in the 13 months to December 31 1984 to £52.21m. Pre-tax profits were down to £794,000 against £1.3m.

The total dividend is being cut from 0.55p to 0.35p with a recommended final payment of 0.1p (0.3p).

The results include, on a merger accounting basis, the figures for Atlanta Investment Trust for the 15 months to December 31 1985. The comparables have been restated to include results for the 12 months to the end of September 1984.

Mr Vasant Advani, chairman and joint managing director, said yesterday that Western Medical incurred losses for the first time in five years following the loss of its Middle East contract to supply medical equipment. He added that alternative products and markets had been found and the problem had been sorted out.

The problems at the Liverpool motor dealership were taking longer to solve than had been hoped. At the interim stage, turnover was up and losses had been eliminated at the garage in Speke, but it returned to losses in the second half.

Mr Advani added that Grovebell, which has made a number of acquisitions in recent years, would not be buying further companies until internal problems had been overcome. He expected the first half of the present year to be similar to the last when pre-tax profits were £691,000 (£655,000) with an improvement seen in the second half.

The tax charge was £237,000 (£480,000) with extraordinary debits of £125,000 (£218,000) and minorities taking £30,000 (£84,000).

COMPANY NEWS IN BRIEF

BET, the international services company, announced that at 3 pm on July 14 (the expiry date of its offer) it had received acceptances in respect of 17.92m Shorrock shares (74.7 per cent) and had purchased 3.6m shares (14.99 per cent), so that it now controlled 89.7 per cent of Shorrock. The offer remained open for acceptance until further notice.

PINEAPPLE DANCE Studios' £2.2m rights issue has attracted acceptances in respect of 3.15m shares (85.99 per cent). The balance has been sold at a premium and a distribution (after sale expenses) of 13.66p per share will be made to the original allottees.

DE LA RUE Company rights issue has been accepted in respect of 7.16m new ordinary shares (about 94.1 per cent) of the 7.61m offered at 880p each. The shares not taken up have been sold at £10.45.

MACLAREN PUBLISHERS, part of the EMAP Group, has purchased a monthly magazine in the energy conservation market, Energy Manager, and its associated Department of Energy supported regional exhibitions for £330,000 cash.

RHM HOLDINGS of the US has purchased all the shares of Pilgrim Farms, of Plymouth, Indiana. It is a processor of pickle products, with sales of over $25m per annum, and services the food service trade in the eastern states.

JAMES FERGUSON is to acquire Barlow Lowes and Partners, a London-based specialist gilts manager. Terms are an initial £250,000 plus a deferred sum equal to four times Barlow's pre-tax earnings for the year ended March 31, 1989. Profits in the 12 months to June 30, 1986 (its first year of trading) are unlikely to exceed £100,000, but the vendors have indicated a strongly rising profit trend by March, 1989.

MILLER GROUP has acquired the business assets of Miller Buckley Construction, Miller Buckley Parnell, Miller Buckley Civil Engineering and Miller Buckley Plant from Buckley Investments which went into receivership last month.

FLEMING TECHNOLOGY Investment Trust's net income totalled £698,000 (£927,000) for year to end-May 1986. Final dividend unchanged at 1.5p for same egain total of 2.3p. Net asset value per 25p share at year-end was 214.6p (182.2p).

ASHLEY INDUSTRIAL Trust, plywood products, returned pre-tax profits of £17,000 (£33,000) in half-year to March 31, 1986, from a turnover of £578,000 (£686,000). Earnings amounted to 0.34p (0.66p). Profits downturn reflected heavier expenses regarding acquisitions.

TOPS ESTATES, a USM-quoted shop and office property investor, virtually doubled taxable profits from £62,000 to £119,000 in the year to end-March 1986. Earnings per share were 1.11p (0.924p). Dividend 0.95p (0.63p). Company proposed capitalisation of re-valuation reserves and share sub-division. Holders will then have two new ordinary of 25p each for each share of 10p held.

TEX HOLDINGS lifted pre-tax profits from £341,000 to £427,000 for the year to March 1986 on turnover down at £4.61m (£6.04m). The dividend is raised 1p to 4.5p, with a final payment of 3p (2.75p). Earnings rose from 9.2p to 11.3p. Tax was £170,000 (£136,000).

TRUST OF PROPERTY Shares made £15,238 (£13,363) net in the first six months of 1986. Earnings per share were 0.254p (0.228p). No interim dividend declared. Net asset value at June 30 was 58.81p (37.79p) per share.

INDEPENDENT INVESTMENT Company, a subsidiary of Atlantic Assets Trust, increased net June 1986. Earnings per share were up from 0.96p to 1.86p and the final dividend was lifted to 0.75p (0.5p), making a total 0.85p (0.5p) including a special payment of 0.1p. Independent said that the year remained difficult for technology companies and net asset value per 25p share fell by 4.5 per cent to 300.8p per share.

BONAR INC., a US subsidiary of Low & Bonar, increased its pre-tax profits from $5.72m to $5.92m (£3.92m) in the six months to May 31, 1986. Net sales were up from $69.81m to $73.45m. The pre-tax figure was after interest charges up from $426,000 to $743,000. Tax took $2.13m ($2.28). Earnings per share rose from 86 cents to 95 cents before an extraordinary item of $160,000, and from 86 cents to 91 cents after.

SCOTTISH HERITABLE Trust announced that acceptances had been received in respect of 4.17m Standard Fireworks shares, representing 80.8 per cent of the issued share capital of Standard not already owned by a subsidiary of SHT, and 74.1 per cent of the equity of Standard. Accepting shareholders elected for the cash alternative in respect of 1m Standard shares. The offer is now unconditional in all respects and will remain open until further notice. The cash alternative has closed.

DRG INC. (CANADA) increased its pre-tax profits from C$4.34m to C$4.66m in the six months to June 30, 1986. Net sales were 9 per cent higher at $63.38m ($60.08m). Net income per share was 75 cents (72 cents).

BICC is negotiating to buy the UK and Swedish businesses of Phicom's Imhof-Bedco electronic enclosures division.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or —	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	167	136	‡Accord Publications 5p	167	.....	Rd3.1	2.6	2.6	21.1
‖ ‖	F.P.	15/8	127	112	‡Airsprung Group 10p	115	.....	5.4	2.8	6.6	7.6
§115	F.P.	—	141	128	‡Anglia Sec Homes 10p	132	—4	R1.63	5.0	1.7	16.3
115	F.P.	11/7	190	155	Arlington Sec. 10p	175	—5	b1.7	4.3	1.4	24.0
§67	F.P	8/8	71	68	‡BBB Design Grp 5p	70	.....	L1.0	4.2	2.0	16.8
§145	F.P.	15/8	158	145	‡Beaverco 5p	152	.....	u5.0	2.4	4.6	12.0
‖ ‖	F.P.	—	53	41	Bertrams Inv. Tst	44	.....	—	—	—	—
§37½	F.P.	25/7	43½	38	‡Bipel 5p	42	—1	R1.225	3.1	4.1	10.5
125	F.P.	8/8	147	128	‡Borland Intl. Inc	135	—1	u02c	1.4	1.0	18.9
145	F.P.	25/7	175	148	Bredero Props	152	—2	R4.25	2.3	3.9	12.9
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	55	.....	bd2.82	2.1	7.2	7.7
§63	F.P.	6/8	69	61½	‡Camtech 10p	68	—1	R2.0	2.4	4.1	13.9
§110	F.P.	18/7	115	85	‡C'bell & Armstrong 5p	97	+12	u3.91	1.9	5.8	22.4
§125	F.P.	7/8	135	130	‡Chelsea Man 5p	130	.....	L2.2	2.8	2.4	21.4
‖ ‖	F.P.	18/7	110	85	Clarkson (Horace)	105	.....	L4.75	1.5	6.4	14.4
¶¶	F.P.	—	100	65	Clayform Warrants	65	—1	—	—	—	—
§84	F.P.	1/8	91	84	‡Coated Electrodes 5p	88	+1	u3.9	1.6	6.2	13.7
237	100	—	110	90	Dee Corp.	93	—8	5.8	1.9	3.6	17.8
§58	F.P.	4/7	82	59	Denistron Intl 5p	80	.....	u1.65	2.1	2.9	20.5
§70	F.P.	—	74	71	‡Fletcher Dennys Sys 5p	73	.....	L2.5	1.9	4.8	15.5
150	F.P.	25/7	155	130	Guthrie Corp	156	.....	u5.3	2.2	4.8	9.9
§92	F.P.	—	93	87	‡Hille Ergonom 10p	87	—3	L2.0	3.1	3.2	12.0
§85	F.P.	24/7	117	90	‡Hodgson Hldgs 5p	110	—7	R2.13	2.3	2.7	20.0
§120	F.P.	—	23	21½	‡Hughes Food 5p	23	.....	Ro.5	2.8	3.1	16.6
R30	Nil	—	325	210	Joel (H.J.) Ltd Units	200	—10	—	—	—	—
§154	F.P.	—	159	158	Kleinwort Dev. Fnd	158	.....	—	—	—	—
100	F.P.	—	90	85	‡M6 Cash & Carry	88	.....	u3.55	2.1	5.7	9.8
§500	F.P.	—	516	452	Morgan Grenfell £1	452	.....	L8.5	—	2.7	—
§120	—	—	120	116	‡Personal Computers 5p	116	.....	R3.0	3.3	3.6	11.8
§113	F.P.	—	114	114	St. David's Inv. Tst. Inc.	114	.....	H68	—	8.4	—
§75	F.P.	—	77	76	Do Cap.	76½	.....	—	—	—	—
§72	F.P.	15/8	160	99	‡Shield Group 5p	145	.....	L2.0	3.1	2.0	21.2
	F.P.	1/8	184	164	‡Smallbone 10p	164	—6	u5.0	2.1	4.3	15.3
—	F.P.	—	55	43	Smith Newcourt War'ts	48	—5	—	—	—	—
§40	F.P.	31/7	42	35	‡Soundtracs 5p	40	.....	61.2	2.8	4.2	11.9
§98	F.P.	6/8	106	98	‡Space Planning 10p	101	.....	R1.8	3.4	2.5	16.4
§110	F.P.	—	125	119	Stanley Leisure	125	.....	u3.25	2.8	3.7	13.9
§95	F.P.	25/7	114	104	‡Task Force 5p	114	.....	R1.78	3.8	2.2	16.9
112	F.P.	8/8	130	116	Tenby 50p	128	—1	u4.0	2.6	4.4	9.9
190	F.P.	1/8	242	219	Thames TV	225	.....	49.5	1.9	6.0	12.6
120	F.P.	6/8	130	100	Tibbet & Britten 5p	126	—4	R3.5	2.6	3.8	14.5
§63	F.P.	—	68	67	Unilock 20p	67	—1	1.98	2.7	3.9	14.1
£12.70	Nil	—	260	190	Wight Collins RS ##	190	.....	—	—	—	—
106	F.P.	—	112	110	Windsmoor 5p	110	—2	u3.25	2.3	4.2	14.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or —
§97.947	£25	17/9	27¼	25¼	Bankers Inv. Tst. 10½% Deb. 2016	25¼	—1¼
§99.50	F.P.	28/8	98¼	97½	Bristol Water 9.8% Red Deb '96	97½	.....
§99.256	£30	29/8	30¼	26¾	Brit. Alcan Aluminium 10⅞% Deb. 2011	26¾	—¾
§94.203	£25	31/10	25¾	22¾	Brixton Est. 9.5% 1st Mort Deb 2026	22¾	—1
§100p	F.P.	15/8	107p	105p	Business Mortages Tst. 8.6%Cum Prf.	107p	.....
109.89	£40	29/8	40	37¼	Estates & Gen. 11¼% 1st Deb. 2018	37¼	.....
§94.45	£30	31/10	32¼	28¼	European Inv. Bank 9%Ln 2001	28¼	—¾
‖	Nil	29/8	5ppm	2ppm	‡Ferrybrook 12% Cnv Uns Ln 1992-97	2ppm	.....
96.114	£25	24/10	27½	25	Globe Inv. 10% Deb. 2016	25	—¾
§99.054	£40	12/9	41¾	39¼	Govett Strat.Inv.Tst.10¼% Deb. 2016	39¼	—¾
97.963	£25	24/10	25¼	19¾	Gt. Portland 9½% 1st. Mort. Deb. 2016	19¾	—¾
105.523	£25	21/8	26	18¼	Land Securities 10% 1st. Mort. Deb.25	18¼	—1¼
§	F.P.	14/8	101½p	97p	Leigh Int. 6% Cnv. Cum. Red. Prf.	97p	.....
§99.793	£25	24/9	24¼	21	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	21	—¾
¶¶	F.P.	—	101	96	Mercury Intl. 7⅞% Cum Pref.	97	+1
‖ ‖	F.P.	—	136p	136p	Morgan Grenfell 11¼% Cum Prf.	136p	.....
—	F.P.	—	100	99	Nationwide 9 11/16 % 6/7/87	99¾	—¼
—	F.P.	—	10¼	10¼	Do. 10¼ 27/7/87	10¼	.....
§99.937	£25	24/10	25¼	23¾	Do 3¾% IL Ln. 2021	23¾	—⅛
¶100	£10	—	9	8	Newcastle & Gate. Wtr. 7% Red. Prf. 94/6	8	—1
§97.50	F.P.	11/7	97¼	96	Paribas Concorde Tst.9.364% Deb. 1991	96	.....
95.512	F.P.	8/8	98½	94¼	Scot.Mort.6%—12%Stp'dInt.Deb.2026	95¼	—1½
§105	£50	10/10	46	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	45½	+1
§99.480	F.P.	18/7	105⅝	97¾	S.E. 10⅛% Mort. Deb. 2016	97¾	.....
¶¶	F.P.	—	126p	112p	Tomkins (F.H.) 5.6% Cum. Cnv. Red. Prf	129p	+2
99.073	£25	8/8	25¼	22¾	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	22¼	—1
¶¶	F.P.	—	109p	104p	Williams Hldgs. 5¾% Cum. Conv. Red. Pref.	108p	—1
100	£50	12/9	50¼	46⅛	Witan Inv. 8½% Deb 2016	46⅛	—¾

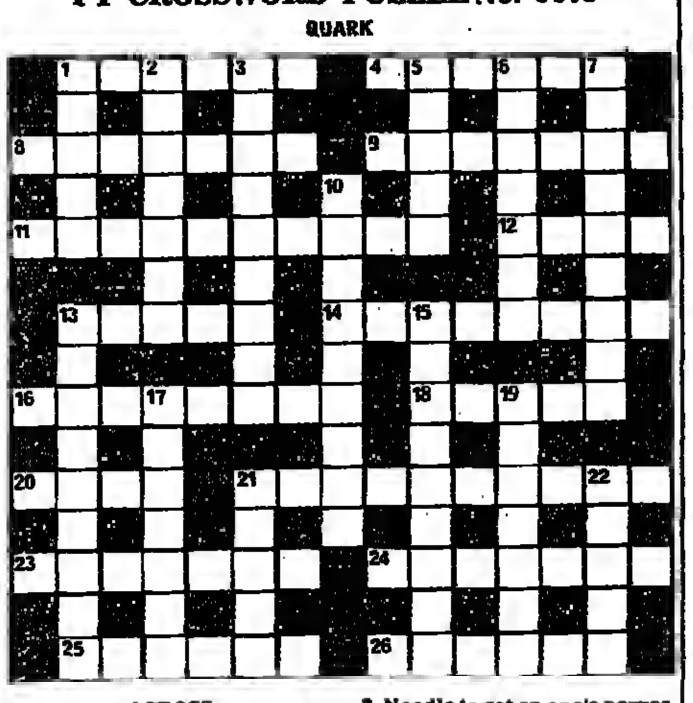
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or —
49	Nil	29/8	36pm	23pm	Abaco Invs. 5p	23pm	—8½
40	Nil	4/8	11pm	3pm	Anglo African Fin. 7½p	3pm	.....
470	Nil	4/8	200pm	100pm	Antofagasta Hldgs. £1	100pm	.....
55	Nil	—	½pm	¼pm	Bertrams Inv. Tst.	½pm	.....
250	Nil	12/9	30pm	5pm	Bosse Massimi Pollitt 12½p	5pm	—8
170	Nil	—	22pm	19pm	Coloroll 10p.	19pm	—3
455	F.P.	29/8	565	538	Cosalt Group	538	—10
145	Nil	—	40pm	40pm	Dataserv. Inc. 5c.	40pm	.....
130	Nil	14/8	16pm	8pm	Erskine House	12pm	.....
165	Nil	28/8	20pm	7pm	Expamet Intl.	10pm	.....
148	F.P.	20/8	182	168	Hestock Johnsen	170	—2
215	Nil	15/8	63	28	Intl. Signal & Control 10c	28	—5
200	Nil	—	20pm	10pm	‡Meadow Farm Prod. 10p	20pm	+5
£14	Nil	13/9	220pm	220pm	Priest Marians £1	220	.....
44	F.P	—	6pm	4½pm	‡Sheraton Secs. 10p	4½pm	—½
25	Nil	11/8	29pm	25½pm	Sovereign Oil & Gas	26	.....
90	Nil	—	2½pm	1pm	Top Value Inds. 10p	1pm	.....
38	Nil	28/8	2½pm	¼pm	‡Yelverton Invs. 5p	½pm	+¼
41	Nil	—	35pm	27pm	‡York Mount	27pm	.....

*Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. q Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖ ‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ##Units comprising new ord. & Cnv. Cum. Red. Prof. shares.*

FT CROSSWORD PUZZLE No. 6079

QUARK



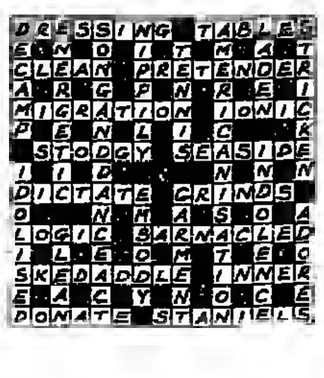
ACROSS

1 and 4 Anti-detection act? (6, 6)
8 Describes heater yet could be cold (7)
9 Can be delivered or delivered to (7)
11 Minister of education? (10)
12 Tops of beads are invariably recognised by this (4)
13 Am in a disordered state of confusion (5)
14 Writer turns to money for protecting means of living (5, 3)
16 Firm temple collapses, finished (8)
18 Sort of foot on ape, perhaps (5)
20 To speak indistinctly is a disgrace (4)
21 Task for priest making comeback is impelling (10)
23 Bill almost gone crazy? That's common (7)
24 Pacify fool with payment, say (7)
25 Bond's convention (6)
26 Set cap jauntily as a distinct feature (6)

DOWN

1 Some worthy thespian in the South-East (5)
2 Boor? Certainly not! There's clamour for this composer (7)
3 Needle to get on one's nerves (9)
5 Book fraternity (5)
6 Child covered by loose drape will be dry (7)
7 If virtuous you'll be above it (9)
10 Undo easy b-bolt and he could lose charges! (6-3)
13 Do extra work but not for a day's pay? (9)
15 Trains and thus puts into words (9)
17 Will end (7)
19 To the English the sun's out to raise interest (7)
21 and 22 This isn't the main burner (5, 5)

Solution to Puzzle No. 6,078



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst	63.0	67.0xd	-0.1	1.0
Far East & Sp. Tst	101.2	107.3	-0.7	1.0
Intl. Growth Tst	67.7	72.1xd		0.7
Income Tst	83.6	89.9	-0.7	5.6
Japan Growth Tst	121.8	131.0	-0.2	0.2
Small Cos. Tst	112.5	121.0	-0.7	2.0
Technology Tst	32.4	34.8	-0.2	0.2
Australia Trust	37.2	40.0	+0.6	1.9
UK Trust	127.2	135.4	-1.7	2.7
European Growth Tst	49.4	52.6xd	+0.1	1.2
Hong Kong Tst	21.3	22.6	+0.3	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	16.1	17.2	+0.7	0.15
Pacific Basin	13.4	14.3	+0.1	0.2
Canadian Balanced Grwth	58.0	62.0	+0.2	0.98
Cinema Man	101.4	105.6	+0.3	7.3

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smlr Co's (z)	57.4	59.0	-0.5	1.00
British Growth (z)	66.9	68.2		1.50
British Income (z)	48.0	44.8	-0.3	4.50
British Extra Yield(z)	50.4	51.8xd	-0.4	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	47.4	48.8		0.00
U.S. Govmnt Bond F	50.506	0.507	+0.000	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Growth & Equity Tst	48.2	51.3	-0.3	7.73
Growth Trust	51.4	54.7	-0.4	2.56
Income Trust	53.3	56.5	-0.3	5.18

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0992

Growth Fund	67.7	71.2xd		2.95

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602290

Y.G.T.	121.6	129.4xd	-0.1	3.52

INSURANCES

Cannon Assurance Ltd—Continued

Index	110.9	117.4		—
Far East	176.4	186.7	+3.9	—
Global	94.6	100.1	-0.7	—
European	97.4	103.1	+0.5	—
Japan	110.4	116.8	+3.1	—
2nd Series Pension Accumulation				
Equity	486.7	515.0	-4.4	—
High Income	320.2	338.8	-2.5	—
Property	280.8	297.1		—
Managed	336.0	355.6	+0.4	—
Deposit	250.2	264.8		—
Gilt	253.2	267.9		—
American	176.6	190.5	+5.2	—
International Money	269.8	285.5	+4.9	—
Index	121.3	128.4		—
Far East	191.4	202.5	+4.5	—
Global	94.7	100.2	+0.8	—
European	98.2	103.9	+0.6	—
Japan	114.5	121.2	+4.0	—
Other Funds -				
Equity Units		64.13	-0.54	—
Property Units		21.32	+0.10	—
Equity Bond/Exec	41.35	43.74	-0.53	—
Property Bond/Exec	28.75	30.42		—
Balanced Bond/Exec	33.24	35.17	+0.04	—
L&E SIF 1	109.0	115.5	+0.5	—
L&E SIF 2	71.5	75.5		—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	104.0	110.0		—
Risk & Reward Bond	118.0	125.0		—
Murray Johnstone Fd	116.0	123.0		—
Money Market Fd	100.0	106.0		—
Ivory & Sime Pens Fd	97.0	103.0		—
Risk & Reward Pens Fd	100.0	106.0		—
Murray J'stone Pens Fd	114.0	120.0		—
Money Market Pens Fd	100.0	106.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	113.9	119.9		—
Money Fund	210.6	221.7		—
Managed Fund	404.8	426.2	-0.1	—
Equity Fund	252.9	266.3	-2.2	—
Fixed Interest Fund	149.5	157.5		—
Far East Fund	199.0	209.5	+1.0	—
North American Fund	183.7	193.4	+1.7	—
Natural Resources Fund	127.7	134.5	-0.3	—
S.U.N. Reg Fund	119.7	126.0	-0.9	—
Pension Managed Fund	378.5	398.5	-0.7	—
Pension Equity Fund	242.3	255.1	-1.9	—
PBR Fund	123.4	129.9		—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

[illegible]

AA Friendly Society
[illegible]

Abbey Life Assurance Co Ltd
[illegible]

Actna Life Insurance Co Ltd
[illegible]

Albany Life Assurance Co Ltd
[illegible]

Allied Dunbar Assurance Plc
[illegible]

Ambassador Life Ass. Co. Ltd.
[illegible]

American Life Insurance Co UK
[illegible]

Baltic Assurance Funds
[illegible]

Barclays Life Assur. Co Ltd
[illegible]

Black Horse Life Ass. Co Ltd
[illegible]

British National Life Assurance Co Ltd
[illegible]

Canada Life Group
[illegible]

Cannon Assurance Ltd
[illegible]

Clerical Medical Managed Funds Ltd
[illegible]

Colonial Mutual Group
[illegible]

Commercial Union Group
[illegible]

Continental Life Insurance PLC
[illegible]

Cornhill Insurance PLC
[illegible]

Credit & Commerce Life Ass. Ltd
[illegible]

Criterion Assurance Group
[illegible]

Crown Financial Management Ltd
[illegible]

Crusader Insurance Plc
[illegible]

Devonshire Life
[illegible]

Eagle Star Insurance Co Ltd
[illegible]

Eagle Star Insur/Midland Assur.
[illegible]

Equitable Life Assurance Society
[illegible]

Equity & Law
[illegible]

Family Assurance Society
[illegible]

Federation Mutual Assurance Ltd
[illegible]

Framlington Life Assurance Ltd
[illegible]

Friends' Provident Life Office
[illegible]

GT Management Ltd
[illegible]

General Accident Linked Life Assurance(z)
[illegible]

Assicurazioni GENERALI SpA
[illegible]

General Portfolio Life Ins. Plc
[illegible]

Grofton Unit Assurance Ltd
[illegible]

Growth & Sec. Life Assce. Soc. Ltd
[illegible]

Guardian Royal Exchange
[illegible]

Hearts of Oak Benefit Society
[illegible]

Henderson Administration
[illegible]

Hill Samuel Life Assce. Ltd
[illegible]

Imperial Life Ass. Co. of Canada
[illegible]

Imperial Life (UK) Ltd
[illegible]

Irish Life Assurance Co Plc
[illegible]

The LAS Group
[illegible]

Langham Life Assur. Co Ltd
[illegible]

Legal & General (Unit Assur) Ltd
[illegible]

Liberty Life Assurance Co Ltd
[illegible]

London Indemnity & Gnl. Ins. Co Ltd
[illegible]

London Life
[illegible]

London & Manchester Group
[illegible]

M & G Group
[illegible]

MGM Assurance
[illegible]

Manufacturers Life Insurance Co (UK)
[illegible]

Merchant Investors Assurance
[illegible]

Municipal Life Assurance Ltd
[illegible]

NEL Britannia Assce Co Ltd
[illegible]

NEL Pensions Ltd
[illegible]

National Mutual Life
[illegible]

National Mutual of Australasia
[illegible]

National Provident Institution
[illegible]

Norwich Union Asset Management Ltd
[illegible]

Norwich Union Life Insurance Soc.
[illegible]

Pearl Assurance (Unit Funds) Ltd
[illegible]

Phoenix Assurance Co Ltd
[illegible]

Pioneer Mutual Insurance Co Ltd
[illegible]

Premium Life Assurance Co Ltd
[illegible]

Property Equity & Life Ass. Co.
[illegible]

Property Growth Assur Co Ltd
[illegible]

Providence Capital Life Assc. Co. Ltd
[illegible]

Provident Life Assoc. Ltd
[illegible]

Provident Mutual Life Assc. Assn.
[illegible]

Provincial Life Assurance Co Ltd
[illegible]

Prudential Pensions Limited
[illegible]

Refuge Life Assurance Co Ltd
[illegible]

Reliance Mutual
[illegible]

Royal Heritage Life Assurance Co Ltd
[illegible]

Royal Life Insurance Ltd
[illegible]

Save & Prosper Group
[illegible]

Schroder Life Assurance Ltd
[illegible]

Scottish Amicable Investments
[illegible]

Scottish Equitable Life Assce. Soc.
[illegible]

Scottish Life Investments
[illegible]

Scottish Mutual Assurance Society
[illegible]

Scottish Mutual Investments
[illegible]

Scottish Provident Institution
[illegible]

Scottish Widows' Group
[illegible]

Skandia Life Assurance Co Ltd
[illegible]

Stewart Life Assurance Co Ltd
[illegible]

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Stoppage ending at Broken Hill mines

By Patricia Newby in Melbourne

THE BROKEN HILL lead, zinc and silver mines in New South Wales will reopen today or tomorrow under an interim agreement ratified yesterday by mass meetings of workers at the mines.

It will be some weeks, however, before exports start to flow. The Port Pirie lead smelter in South Australia closed at the weekend for at least six weeks to allow stockpiles to build up after the run-down following the eight-week stoppage at Broken Hill.

Although there will be a return to work, the future remains uncertain for the three mines which produce 6 per cent of the western world's lead and 4 per cent of its zinc.

Work stopped at the mines on May 26 when underground miners refused to work to an interim award handed down by the NSW Industrial Commission which involved night shifts and some changed work practices.

The companies refused to employ the men under the previous conditions.

The companies, Australian Mining and Smelting (AM and S), which owns the two southern mines, and North Broken Hill which owns the so-called "north mine," are still seeking greater improvements in productivity to make the mines competitive.

Difficult questions concerning changes to work practices, which would achieve significant productivity improvements but which the miners oppose on safety grounds, have been referred to a technical committee which will report in two months.

The unions have signalled that they believe they have given enough ground already in the dispute by agreeing to night shifts. The companies argue that productivity has to be lifted much further if the mines are to be viable.

In the first four months of this year AM and S (a CRA subsidiary) lost A$26m following heavy losses last year. North Broken Hill was losing A$1.5m every four weeks.

According to Mr Brian Drew, president of the Broken Hill Mine Managers Association and manager of the AM and S Mines, there is no alternative but closure if productivity per man is not lifted by something approaching 100 per cent.

Under the interim agreement, the mines will be able to operate 19 shifts a week, including night shift in defined areas of the mines. The management wanted 21 shifts a week.

Voluntary redundancies and retirements will eventually trim the 2,000 strong workforce by about 40 per cent.

Last year Broken Hill produced 159,000 tonnes of lead, 201,000 tonnes of zinc concentrate and 182,000 kilos of silver.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)
(tonnes)

Aluminium	−75 to 135,350
Copper	−3,100 to 155,525
Lead	−650 to 40,175
Nickel	+414 to 4,474
Tin	−570 to 50,365
Zinc	−2,125 to 29,750
	(ounces)
Silver	−3,070,000 at 32,918,000

Malaysia issues warning about market collapse

BY WONG SULONG IN KAULA LUMPUR

MALAYSIA has called on the industrialised countries to show greater appreciation of the problems confronting primary commodity producers in the developing countries, currently suffering from excess supply and depressed prices.

The call was made by Dr Mahathir Mohamad, the Malaysian Prime Minister, at an international commodity seminar in Kuala Lumpur yesterday. He said the situation facing commodity producers was serious and if the commodities trade were to break down, there would be considerable repercussions in the financial system.

Citing the collapse of the International Tin Agreement, Dr Mahathir said: "The commodity trade problem cannot be viewed in isolation. The developed countries eventually will lose as much as the developing countries unless they help out over this problem."

Behind Dr Mahathir's call for greater producer-consumer co-operation is the acknowledgment that the high economic growth rates achieved by South-east Asian commodity producers in the 1970's and early 1980's are unlikely to be repeated.

Governments in Malaysia, Indonesia and Thailand are concerned that a prolonged period of depressed commodity prices would undermine the social and political stability in their countries.

They feel the industrialised nations have not given much weight to the factor during negotiations on international commodity agreements.

The five-day seminar, attended by more than 200 officials from 20 countries and international agencies, will explore ways to increase demand for commodities and discuss co-operation among producers on how to deal with depressed prices.

Meanwhile senior Malaysian and US officials met informally in Kuala Lumpur to exchange views on the future of the International Natural Rubber agreement due to expire in October next year.

US officials said they wanted the coming negotiations in Geneva in October to be the final round of talks on whether the rubber agreement should be renewed.

The US was prepared to join the second rubber pact if Malaysia was in it, they said. The two countries are the biggest rubber consumer and producer respectively.

The 36 member nations of the pact have failed in two rounds of negotiations, in April last year and May this year, to resolve differences over such vital issues as the reference price range, the size of the buffer stock, and the question of export controls.

S Africa plans maize sales

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA plans to resume full-scale exports of yellow maize this year following a three-year enforced absence from the world market. Dr Hennie Davel, the general manager of the country's Maize Board, said this year's expected harvest will total 7.75m tonnes and exports will total 2.2m tonnes. About two-thirds of the crop has already been harvested, with good crops of yellow maize in coastal areas and poor production of white maize in the western, summer rainfall areas.

In 1982 South Africa exported just over 4m tonnes of yellow maize out of a total national harvest of 8.3m tonnes. But exports ceased in 1983 and 1984 when drought cut harvests to 4m tonnes and 4.4m tonnes respectively. Last year the harvest was 7.8m tonnes and though South Africa would have preferred to fill her own granaries she exported 700,000 tonnes under long-term contracts.

At home, maize meal is the staple food of many black South Africans and last year white maize was imported to allow maize millers and produce a blend of yellow and white maize acceptable to consumers. Yellow maize meal, which is normally used for animal feed, is unacceptable to many black consumers and this year millers will sell a meal blend of four-fifths white and one-fifth yellow. This, Dr Davel says, appears to be acceptable to black consumers.

Dr Davel expects South Africa to export at a loss despite the rand's weakness. September delivery maize is currently quoted at $91 per ton on the Chicago Board of Trade and this will be the prime determinant of tender prices South Africa will receive. Dr Davel believes prices will remain depressed due to the world-wide grain glut and even though prices were helped temporarily by the poor US soyabean harvest.

The South African Wheat Board has recently awarded the final tender for part of the country's total 300,000 tonnes of hard wheat imports. The Canadian Wheat Board delivered 55,000 tonnes in June and 90,000 tonnes is being delivered from Australia this month. A further 90,000 tonnes is due from the US in August, followed by 65,000 tonnes in September.

Mr Dennis Van Aarde, the Wheat Board's general manager, is reluctant to disclose prices, saying that there have been particularly low as a result of a world-wide glut of wheat. He expects South Africa's own crop, of medium-to-hard wheat types to total only 1.58m tonnes this season because of drought and that this will permit exports of about 100,000 tonnes to neighbouring countries. Normally South Africa consumes about 2m tonnes of wheat a year and exports about 150,000 tonnes.

Ireland still blocking NZ butter import deal

BY TIM DICKSON IN BRUSSELS

IRELAND IS continuing to frustrate the efforts of EEC member states to reach agreement on the size of New Zealand butter quotas for the next two years.

Despite a special plea from Sir Geoffrey Howe, Britain's Foreign Secretary and President of the EEC Council of Foreign Ministers, the Irish Foreign Affairs Minister, Mr Peter Barry yesterday refused to accept a Commission proposal limiting UK imports of New Zealand butter to 77,000 tonnes next year and 75,000 tonnes in 1988.

On Friday the Irish cabinet decided to back the stand taken by Mr Austin Deasy, the country's Agriculture Minister, who surprised last week's meeting of EEC Farm Ministers by vetoing the Commission plan.

Although this implies reductions from the 79,000 tonnes permitted under this year's agreement with New Zealand Mr Barry repeated yesterday that his Government is looking for a cut in line with the 3 per cent decrease in EEC milk quotas agreed for this year.

The issue will be discussed again today when the EEC's Foreign Ministers resume their monthly meeting in Brussels. But it was not clear last night whether the Irish would relent.

Ireland's obduracy — it is mindful of its dairy farmers' butter exports to Britain—could be embarrassing for France, which agreed as part of the deal for the effective release of its agents imprisoned for their part in the Rainbow Warrior affair to drop its opposition to New Zealand's quota.

● The New Zealand Dairy Board claims the EEC has broken a 1975 commitment not to interfere with New Zealand's efforts to diversify its dairy trade, writes Dai Hayward in Wellington.

The Board says the EEC has increased its share of world dairy trade from 7.5 per cent to more than 50 per cent in 10 years by dumping and unfair pricing.

Lower French grain crop forecast

THE FRENCH Agriculture Ministry, in its first estimate of France's 1986 soft-wheat harvest (as at July 1) has forecast production at 27.63m tonnes, 2 per cent down from the 1985 harvest.

The cereals intervention board, in its first estimate of 1986-87 output, forecast production lower at 27.5m tonnes compared with 28.5m the year before.

The Ministry's forecast was based on sowings of 4.69m hectares against 4.67m in 1985 and an average yield put at 5.9 tonnes per ha against 6.1 tonnes in 1985.

It forecast the hard wheat harvest at 1.02m tonnes, 31 per cent higher than the 676,000 tonnes in 1985, and barley production at 10.30m tonnes, the same as the Intervention Board's latest forecast and 9.8 per cent down on the 11.43m tonnes in 1985. This is based on sowings of 2.09m ha against 2.25m in 1985 and an average yield of 4.9 tonnes per ha against 5.1 tonnes in 1985.

Why cereal quotas may have to come

FARMER'S VIEWPOINT

By John Cherrington

I WAS gloomily inspecting one of my wheat crops the other day (a very good one so it appeared) with my head tractor driver. After a fairly optimistic yield assessment I told him that prices were going to be well down this year. "In that case," he replied, "we must grow a bit more." This is the automatic reaction of anyone faced with the present circumstances in the grain business.

It is true that the price could be some £10 per tonne down as compared with last year: that the intervention outlet is partially blocked by harsher quality standards and delayed payment; and that the future is shrouded in doubt. But no farmer I know is taking any steps to reduce his cereal acreage, nor is anyone reducing the use of nitrogen, the most potent fertiliser in the husbandry arsenal.

Some farmers do, it is true, ask the remnants of the advisory services what they should do in the present circumstances, and repeat the question to the private advisers, the bank managers and the commercial companies. The general answer is that each and every one of us must do our best to produce more efficiently which, in the context of cereals, means produce more.

We have learnt over the years that the best way of reducing the units cost of cereal growing is to spread overhead. It is true that premiums can be earned by growing better quality grain. But bitter experience has taught us that unless the premiums are certain to cover the extra costs of increased quality, which is often accompanied by lower yields, the grower can find himself worse off.

It is also true that a quality premium is usually based on comparative scarcity. Once that scarcity element is removed there is no premium. So any arable farmer is on a treadmill, pedalling frenziedly to increase the volume of his production to cover falling prices.

It is almost certain that this year's harvest will be a great deal better than last year's. The Home Grown Cereals Authority (HGCA) estimates that it could be up 4m tonnes from that of 1985. Nothing will reduce this potential, except of course some sudden climatic convulsion. UK intervention stores currently hold about 5.4m tonnes more wheat and 1.3m tonnes more barley than at this time last year. During the year up to May 31 some 5.1m tonnes of grain were exported.

Mr Michael Jopling, the UK Agriculture Minister, referred to these exports at the HGCA's annual lunch this month. Grain, he said, was being exported onto the world market from UK intervention stores at the equivalent of £40 per tonne. Grain for which the farmer had been paid over £120. Other grain had been exported over the year through the normal channels of trade with direct subsidies of between £20 and £60 per tonne.

He blamed the weakness of the US dollar for the low world price. This is only an excuse; the fact is that there is so much grain in the world that it is only worth less than £50 per tonne if it can be sold at all.

But while dwelling on the seriousness of the situation and stating that, as President of the EEC Council of Ministers for the next few months, he would be watching the situation he gave no guidance as to what might be done.

Farmers in general are taking the view that, although there is an urgency in the situation, it is not as bad as all that. In any case there are strong signals that our costs are going to start falling. Tractor fuel is half the price it was a year ago. Fertiliser prices are falling substantially there could well be a reduction in variable costs of 20 per cent or even more.

While providing a welcome relief for farmers this will do nothing to relieve the pressure on markets and the costs to the Community budget. So far the Commission has done no more than impose a co-responsibility levy on wheat and barley of £3.73 per tonne. The delays in intervention payments and more stringent quality standards will not reduce in any way the pressure on that outlet because there are no others available.

In any case it is far too late to talk about imposing restrictions on output now that the crop is almost ready to cut. It is almost too late for next year too because farmers make their plans on a fairly long term basis, and most have their seeds already ordered. So any remedy for the situation will have to be fairly long term and should be designed to compensate farmers for having to take their land out of cereals.

This is because most farms have high fixed costs for rent and interest and other overheads. To take a proportion of land out of cereals would simply increase the charges on the remaining cropping area. Mr Jopling is believed to be thinking along the lines of helping cereal farmers on marginal land to set land aside, leaving grain growing to the low cost producers with first class soil. At the moment, however, this is no more than a notion.

I doubt very much if progressive price reductions, price restraint as Mr Jopling calls it, will reduce production. To have the desired effect the penalty for growing cereals would have to be so high as to be politically unacceptable. It might just be possible to devise a quota scheme but most certainly will not be in the diffuse framework of the Common Agricultural Policy.

All in all then it does look as though Ministers will be forced to look at cereal quotas. Milk quotas, although their application left much to be desired, have undoubtedly worked from the point of view of the individual farmer and I don't know a single dairy farmer today who is not deeply thankful to have had them imposed, although on principle they may not like them.

The application of grain quotas on a Community basis will be neither popular nor easy, but this has to be set against a situation where 20 to 25 per cent of the EEC's grain resources are without any sort of viable market.

LONDON MARKETS

CONCERN ABOUT the US economy coupled with the weakness of the stock market lifted the gold price to the highest level for four months yesterday. Buying pushed the market through established resistance points to close $4.50 higher at $353.75 a troy ounce on the London bullion market. But the sharp rise some dealers had expected to follow the breaking of upside resistance did not materialise. The mildly bullish mood of the cocoa futures market following last week's successful renegotiation of the International Cocoa greement was maintained. The September position ended the day £21 higher at £1,428.50 a tonne, although there were no fresh developments to influence operators. Meanwhile the coffee market's upsurge was halted with the September futures position falling back £85 to £1,827.50 a tonne. This reflected reports of heavy rain in Brazilian growing areas.

ALUMINIUM

Official closing (am): Cash 746-7 (742-3): three months 755.5-6 (754.5-5): settlement 747 (743). Final Kerb close: Turnover: 13,700 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	746.5-7.5	+8	—
3 months	754-5	+5.75	758/754

COPPER

Official closing (am): Cash 891-1.5 (888.5-9): three months 907.5-8 (905.5-6): settlement 891.5 (889). Final Kerb Close: 908-5.5.

Grade A	Unofficial close	+ or −	High/low
Cash	888.5-9.5	+0.5	891/891
3 months	905.5-6	−0.25	908/905
Standard			
Cash	860-1	+7.5	864/858
3 months	882-4	+7.5	881/881

Official closing (am): Cash 859-7 (849-50): three months 882-3 (877-8): settlement 857 (850). US Producer prices 62-67 cents a pound. Total Turnover: 35,600 tonnes.

LEAD

Official closing (am): Cash 247.5-8 (243.5-3.75): three months 253.5-4 (254.5-5): settlement 248 (243.75). Final Kerb Close: 253.5-4. Turnover: 6,125 tonnes. US Spot: 21/24 cents per pound.

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	248.5-9	+0.95	247.5/247.5
3 months	253.5-4	−0.5	254/253

NICKEL

Official closing (am): Cash 2605-15 (2605-10): three months 2650-5 (2650-5); settlement 2,615 (2,610). Final Kerb Close: 2,650-55. Turnover: 558 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2600-10	−5	2610/2605
3 months	2645-50		2670/2645

TIN

KUALA LUMPUR TIN MARKET: Close 14.38 (14.30) ringgit per kg. Down 0.2 ringgit per kg.

ZINC

Official closing (am): Cash 549-9.5 (536-6.5): three months 540-1 (535-5.5), settlement 549.5 (536.5). Final Kerb Close: 533-40. Turnover: 15,075 tonnes. US Prime Western: 41.5/44.75 cents per pound.

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	547-8	+11	550/545
3 months	540-2	+7.5	542/538

GOLD

Gold rose $4½ to $353¾-354 on the London bullion market yesterday. It opened at $350-350½ and touched a peak of $355¾-356¼. The metal was fixed at $353 in the morning and $353.85 in the afternoon, the highest fixing since January 31. The lowest level touched was $352¼-352¾. Stock market weakness and concern about the US banking system lent support to gold.

GOLD BULLION (fine ounce) July 21

Close	$353¾-354	(£235½-236)
Opening	$350-350½	(£233-233¾)
M'n'g fix	$353.00	(£235.726)
Aft'n'n fix	$353.85	(£235.684)

GOLD AND PLATINUM COINS

[illegible]

SILVER

Silver was fixed 0.15p an ounce lower for spot delivery in the London bullion market yesterday at 336p. US cent equivalents of the fixing levels were: spot 502.85c, down 9.4c; three-month 510c, down 0.15c; six-month 519.6c, down 0.2c; and 12-month 538.2c, down 0.2c. The metal opened at 336-340p (507-508c) and closed at 332-335p (498-500c).

SILVER per troy oz	Bullion fixing price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	336.00p	−0.15	333.50p	−7.50
3 months	344.00p	+0.20	340.00p	−7.5
6 months	353.90p	+0.20		
12 months	369.05p	+0.20		

LME—Turnover: 73 (18) lots of 10,000 ozs.

Cash high/low 333.5p, three months high 338.5, low 337.1. Final kerb 337-7.5p.

MEAT

Pig prices closed on a slightly firmer tone due to light fresh buying. Live cattle prices remained unchanged despite easier physical trade, reports Eastern Capital CCST Ltd.

Cattle sales: Nil (nil) lots of 5,000 kg.

Pig sales: 5 (3) lots of 3,250 kg.

Month	LIVE CATTLE Y'day's close	+ or −	LIVE PIGS Y'day's close	+ or −
Aug	98.50	+0.80	101.80	+5.70
Sept	98.50	−0.50		
Oct	98.50	−0.50	103.50	+2.30
Nov	98.50	−0.50	104.00	−0.30
Jan	98.50			
Feb	98.50	−1.50	99.80	+0.80

MEAT COMMISSION—Average fat-stock prices at representative markets. GB—Cattle 95.63p per kg lw (−0.46). GB—Sheep 170.84p per kg est dcw (−8.53). GB—Pigs 75.21p per kg lw (+0.71).

INDICES

REUTERS

July 21	July 18	M'th ago	Year ago
1439.9	1433.0	1526.3	1979.4

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 17	July 18	Month ago	Year ago
Spot	126.30	126.34	—	116.50
Fut.	114.75	115.31	—	117.08

(Base: December 31 1931 = 100)

BASE METALS

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 21 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1200/225	+14	$1240/260
Copper			
Cash Grade A	£889	+0.5	£937
3 mths	£905.75	−0.25	£955.75
Gold Troy oz	$353.75	+4.5	$340.75
Lead Cash	£248.75	−0.25	£261.9
3 mths	£253.75	−0.5	£261.5
Nickel			
Free Mkt	177/187c	+1.0	188/206c
Palladium oz	$115.50	+1.0	$110.95
Platinum oz	$447.75	+8.55	$435.65
Quicksilver†	$190/200		$210/220
Silver troy oz	336.00p	−0.15	342.95p
3 months	344.00p	+0.20	351.05p
Tin			
free mkt	£2850/650	+19	£2850/65
Tungsten	$54.49		$56.75
Wolfram 22.5lb	$49/50		$42/50
Zinc	£547.5	+11.0	£550.5
3 months	£541.0	+7.5	£539
producers	$840		$840
OILS			
Coconut (Phil)	$235y	+2.5	$260
Palm Malayan	$225.0x	−7.9	$245
Copra Phil	$148y		$160
Soyabean (U.S.)	$168y		$166
GRAINS			
Barley Fut. Nov.	£103.35	+0.10	£98.45
Maize	£135		£134.80
Wheat Fut Nov.	£103.90	+0.25	£99.05
No. 2 Hard Wint.	£		£
OTHERS			
Cocoa Ft. Sept	£1429.5	+21.5	£1279.5
Coffee Ft. Sept	£1827.5	−85.0	£1821
Cotton A Index	[illegible]		[illegible]
Gas Oil Sept.	[illegible]		[illegible]
Rubber (kilo)	[illegible]		[illegible]
Sugar (raw)	[illegible]		[illegible]
Woltops 64s	[illegible]		[illegible]

§ Unquoted. † Per 75 lb flask. c Cents per pound. y July-Aug. x Aug. w Aug-Sept. z Oct. * Cotton Outlook.

COCOA

Futures opened on a strong note following a firm New York close on Friday compared to sterling weakness this morning and basically held the levels to a steady close. Producers were again looking to sell on a scale up basis while consumers generally decided to await a more favourable opportunity to buy, reports Gill and Duffus.

COCOA	Yesterday's close	+ or −	Business done
	£ per tonne		
July	1395-1403	+16.5	1419-1407
Sept	1429-1430	+21.0	1445-1418
Dec	1471-1474	+22.0	1471-1459
March	1502-1504	+24.0	1505-1490
May	1516-1517	+19.0	1520-1510
July	1532-1535	+21.0	1535-1523
Sept	1547-1550	+20.0	1550

Sales: 4,462 (4,268) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for July 21: 85.21 (85.75); five-day average for July 22: 85.88 (81.57).

COFFEE

After opening slightly lower Robusta futures were on the defensive through most of the session, reports Drexel Burnham Lambert. Commission House liquidation in a low volume market was ahead of the New York opening and the lows were seen early in the afternoon. With no fresh fundamental news and a quieter actuals scene little recovery was seen before the close.

COFFEE	Yesterday's close	+ or −	Business done
July	1915-1920	−80.0	1935-1850
Sept	1827-1828	−85.0	1857-1825
Nov	1835-1840	−85.0	1865-1835
Jan	1890-1895	−76.0	1895-1860
March	1970-1980	−67.5	1970-1927
May	1965-1975	−61.5	1950-1920
July	1960-1975	−60.0	

Sales: 2,751 (4,283) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 18: Comp. daily 1979 194.39 (193.13); 15-day average 144.29 (143.27).

SOYABEAN MEAL

	Yest'rdy's close	+ or −	Business Done
	£ per tonne		
August	127.0-128.0	+0.75	127.4
October	125.0-127.0	+1.00	
Dec	125.0-128.0	+1.50	127.4
Feb	125.0-130.0	+1.50	
April	126.0-130.0	+1.50	
June	127.0-128.0	+1.50	127.8
August	127.5-128.5	+2.00	127.5

Sales: 225 (263) lots of 20 tonnes.

GRAINS

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Aug 94.50, Sept 94.25, Oct 95.50 sellers transhipment east coast. US No 2 soft red winter Aug 89.75, Sept 91.00, Oct 92.50 sellers. EC second half July 117.50. English feed fob Sept 102.00/102.50, Oct 104.00/105.00, Oct/Dec 106.50/107.00, Jan/Mar 112.00/113.00, April/June 115.00/116.00 buyer/sellers. Maize: US No 3 yellow/French transhipment east coast July 135.00. Barley: English feed fob July 101.50 buyer. Aug 101.00 buyer, Sept 102.00 seller, Oct/Dec 105.75/107.50, Jan/Mar 111.75/112.50 buyer/sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed wheat: [illegible]

Mnth	WHEAT Yesterday's close	+ or −	BARLEY Yest'rd'ys close	+ or −
Sept	100.90	+0.25	100.85	+0.15
Nov	103.90	+0.25	103.35	+0.10
Jan	107.00	+0.15	106.85	+0.10
Mar	109.80	+0.15	109.55	—
May	111.85	+0.25	110.35	+0.15

Wheat and barley again opened steadily, fuelled by shipper support, adding consumer and merchant profit-taking, then firming once more with additional shipper buying of wheat on a wheat/barley switch basis, reports T. G. Roddick.

Business done—Wheat: Sept 100.90-0.70, Nov 104.05-3.70, Jan 107.15-6.85, Mar 109.70-9.40, May 111.85-1.75. Sales: 271 lots of 100 tonnes. Barley: Sept 100.95-0.10, Nov 103.3-2.90, Jan 105.80-6.40, Mar 108.90-8.85, May 110.35 only. Sales: 82 lots of 100 tonnes.

TEA

25,486 packages were on offer in the London Tea Auction including 2,800 packages in the offshore section, reports the Tea Brokers' Association. A good demand prevailed. East African CTCs met useful competition and although there was some irregularity prices closed several pence higher. Central Africans came in for good general support and were often 2/4p dearer. Ceylons sold readily around last rates while South Indians were irregular. Offshore teas sold well and prices frequently advanced. Quotations: Quantity 200p a kg nominal (200p), medium 165p (159p), low medium 85p (85p).

US MARKETS

SUGAR PRICES again performed strongly to book its third consecutive trading day of higher closes, reports Heinold Commodities. The leading October delivery, which had been in a steady downtrend for several weeks, broke out on the upside following the now customary initial nervousness on the part of speculators and trade sources. Early losses were dramatically reversed late in the session as Commission Houses and computer led funds interpreted the failure of the market to slide below 5.9c as a further buy signal. As the market stormed to close at 6.3c, its highest level for over two weeks, some analysts were more confident than for some time that the medium term downtrend, which had reached many chartist's objectives of 5.5c in the middle of last week, had now conclusively been broken. However, there were no significant fundamental features in the support.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	50.95	51.70	50.95	51.05
August	51.05	—	—	51.15
Sept	51.30	51.40	51.30	51.40
Dec	51.80	51.80	51.80	51.90
Jan	51.90	—	—	52.00
March	52.30	—	—	52.40
May	52.60	—	—	52.70
July	52.95	—	—	52.95
Sept	53.05	—	—	53.15
Dec	53.25	—	—	53.35

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	2000	2406	1974	1987
Dec	2038	2050	2011	2026
March	2061	2090	2046	2059
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

[illegible]

COPPER 25,000 lb, cents/lb

[illegible]

COTTON 50,000 lb, cents/lb

[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

[illegible]

GOLD 100 troy oz, $/troy oz

[illegible]

ORANGE JUICE 15,000 lb, cents/lb

[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

[illegible]

PLATINUM 50 troy oz, $/troy oz

[illegible]

SILVER 5,000 troy oz, cents/troy oz

[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

[illegible]

LIVE HOGS 30,000 lb, cents/lb

[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

[illegible]

PORK BELLIES 38,000 lb, cents/lb

[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

[illegible]

SOYABEAN MEAL 100 tons, $/ton

[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

[illegible]

SPOT PRICES—Chicago loose lard 15.50 (15.00) cents per pound. Handy and Harman silver bullion 499.00 (507.5) cents per troy ounce.

POTATOES

Order than expected weather, continued fair forecast, and further concern over condition of crops both in the UK and the Continent led to another steady market. Following Dutch rise the market opened 5.50 higher with April and again registered new contract highs before slipping back on profit-taking in mid-session. Towards the close fresh buying was in evidence lifting values off the lows once again for a steady close, reports Coley and Harper.

	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	195.00	189.00	196.50-185.50
Feb	159.00	152.50	158.00
Apr	204.50	196.50	207.50-202.00
May	215.00	207.50	215.00-218.00
Nov	80.00	80.00	—

Sales: 2,021 (1,792) lots of 40 tonnes.

Earlies—July 67.50, −1.00; Aug 50.00-3.50; Sept 80.00, −3.80. Sales: 5 lots of 1 tonnes.

OIL

Trade in 15-day Brent was thin in a nervous market. Most activity in September Brent with deals done between $10.30 and $10.75. Nymex WTI staged an early rally with August opening 34c up and finishing some 10c higher by 1.30 pm EDT. In the petroleum products market, Naphtha and gas oil prices rose in thin trading under the influence of futures. Mogas prices assessed stable with reports of a standoff between buyers and sellers. Fuel oil was stable as prompt oil maintains its premium over August delivery—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	7.65-7.75	+0.30
Brent Blend	9.85-10.00	+0.10
W.T.I. (1pm est)	13.30-13.40	+0.40
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	129-127	—
Gas Oil	98-100	+3.9
Heavy fuel oil	46-48	—
Naphtha	94-96	+1.0

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yest'rday's Close	+ or −	Business Done
	US $ per tonne		
Aug	106.00	+5.75	106.25-00.50
Sep	108.25	+6.00	108.25-02.75
Oct	109.50	+5.50	111.00-06.75
Nov	112.00	+6.25	112.00-08.50
Dec	115.50	+4.75	115.50-11.25
Jan	—	—	—

Turnover: 1,886 (2,236) lots of 100 tonnes.

RUBBER

PHYSICALS—The London market opened unchanged with little interest throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 60.25p (60.00p); Sept 60.25p (59.00p); Sept 59.25p (59.00p). The Kuala Lumpur fob prices (Malaysia cents per kg): RSS No 1 221.0 (216.5) and SMR 20 194.0 (192.5).

FUTURES—Index 587, Aug 587-597, Sept 585-593, Oct/Dec 585-597, Jan/July/Sept 607-614. Sales: Nil. July/Sept 594-583.

COTTON

Spot and shipment sales for the week commencing July 14 amounted to 446 tonnes. Limited dealings brought dealings in Americas, Russian, Spanish, Turkish and West African varieties.

SUGAR

LONDON DAILY PRICE—Raw sugar $138.00 (£92.00), up $6.00 (up £4.00) a tonne for August-September delivery. White sugar $182.00, up $4.00.

Sales: 1,922 (3,575) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £195.0 (£191.0) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 18: Daily price 5.21 (4.97): 15-day average 5.34 (5.37).

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne F.O.B.		
Aug	130.2-131.6	126.0-128.8	127.4-125.2
Oct	138.8-140.0	137.8-138.8	140.8-132.8
Dec	—	—	—
Mar	160.4-167.4	154.0-165.8	163.4-150.9
May	160.6-162.0	159.0-159.0	159.6 —
Aug	165.0-168.8	162.8-164.0	—
Oct	169.4-170.9	168.0-169.8	—

PARIS—(FFr per tonne): Oct 1258/1260, Dec 1272/1284, Mar 1304/1310, May 1339/1350, Aug 1375/1395, Oct 1420/1440.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	555/567	567/555	565/568
Oct.	642/644	645/640	649/650
Jan.	976/678	277/973	681/684
April	725/738	—	745/747
July	680/700	—	680/925
Oct.	745/750	—	750/754
Jan.	770/800	—	770/780
Apr.	825/900	—	845/900
BFI.	978.0	—	974.0

Turnover: 51 (247).

	Close	High/Low	Prev.
Tankers			
July	940/80	960	880/995
Aug	970/1000	980	920/970
Sep	1000	—	930/980
Dec	—	—	930/1000
Mar	—	—	1020/1070
June	—	—	1000/1065
BTI	991	—	976.0

Turnover: 18 (18).

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound still weak

The dollar continued its downward course on the foreign exchanges yesterday, finishing in Europe at, or near, its lowest levels of the day. There were no important US economic statistics for the market to digest, and dealers were reluctant to commit themselves ahead of the two main events of the week: today's figure on second quarter US gross national product growth, and tomorrow's speech to the US Congress by Mr Paul Volcker, chairman of the Federal Reserve Board. Forecasts for GNP vary widely. On Friday the chief economist at Merrill Lynch predicted no growth for the period, but most forecasts are within a range of 1 per cent to 2.5 per cent, and well below the last first quarter GNP revision of 2.9 per cent.

Tomorrow Mr Volcker is expected to comment about the continued weakness of the dollar and about the possible consequences if Japan and West Germany refuse to follow the US move earlier this month in cutting its discount rate.

The dollar fell to a record low of Y155 from Y156.35; to the lowest since April 2, 1981, at DM 2.1195 from DM 2.1295; to the lowest since November 13, 1980, at SFr 1.7115 from SFr 1.7240; and to FFr 6.8525 from FFr 6.8950.

On Bank of England figures the exchange rate index fell to 111.9 from 112.6.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. June average 1.5089. Exchange rate index fell to the lowest since March 3, at 73.0 from 73.2, compared with 76.2 six months ago.

Sterling suffered from nervousness about oil prices, although North Sea crude was slightly firmer yesterday, and from the Government's present political problems, involving South Africa and the Commonwealth, and rumours of criticism of the Prime Minister in the House of Commons defence committee report into the Westland affair, to be published this week. The pound fell 40 points to $1.4990-$1.5000, and declined to a record low of DM 3.1775 from DM 3.2025; to FFr 10.2750 from FFr 10.3650; to SFr 2.5675 from SFr 2.5920; and to Y232.50 from Y235.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1195. June average 2.3320. Exchange rate index 137.1 against 131.9 six months ago.

The D-mark improved against the dollar in Frankfurt yesterday, but dealers were reluctant to take out new positions ahead of today's US GNP figure. The dollar closed at DM 2.1315 compared with DM 2.1500 on Friday. There was no sign of intervention by the German Bundesbank on the open market, and the central bank did not intervene when the US currency was fixed at DM 2.1299 in Frankfurt, against DM 2.1505 previously. The dollar was around its lowest levels since April 1981. The record fixing low for the dollar was DM 1.7062 in January 1980, just before the first inauguration of President Reagan.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 155.00. June average 167.50. Exchange rate index 218.0 against 176.2 six months ago.

The yen continued to appreciate against the dollar in Tokyo yesterday. The US currency touched a record trading low of Y154.85, and closed at Y155.50, compared with Y157.45 on Friday. The Bank of Japan may have intervened on a small scale to support the dollar, and the US currency was also helped in a modest late recovery by a record fall of 549.22 in the Tokyo stock exchange market average. But sentiment remained bearish for the dollar, ahead of today's announcement of second quarter US GNP growth. Expectations of a weak figure have increased speculation the Federal Reserve will cut its discount rate again later this year. It was rumoured the Japanese Finance Ministry and Bank of Japan were in disagreement about a cut in Japan's discount rate.

£ IN NEW YORK

July 10	Latest	Prev. close
£ Spot	$1.4985-1.4995	$1.5085-1.0105
1 month	0.48-0.46pm	0.45-0.43pm
3 months	1.29-1.25pm	1.25-1.21pm
12 months	4.75-4.65pm	4.47-4.37pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4890-1.5030	1.4990-1.5000	0.50-0.47c pm	3.88	1.29-1.24pm	3.37
Canada	2.0494-2.0681	2.0632-2.0661	0.32-0.23c pm	1.59	0.83-0.68pm	1.46
Nethlnd.	3.3814-3.6130	3.5845-3.5855	1½-1¼c pm	4.80	4½-3¾pm	4.38
Belgium	65.35-65.15	65.55-65.65	25-15c pm	3.61	65-40pm	2.86
Denmark	11.9056-11.996	11.9170-11.918	3-1½ore pm	2.26	5¼-3¾pm	1.51
Ireland	1.0676-1.0748	1.0724-1.0730	0.10-par pm	0.56	0.10dis-0.10pm	—
W. Ger.	3.1796-3.2033	3.1770-3.1780	1⅝-1½pf pm	5.89	4½-4pm	5.35
Portugal	219.25-222.30	220.30-220.90	60-185c dis	−6.62	190-505dis	−5.28
Spain	202.77-204.50	203.71-204.00	40-80c dis	−3.53	120-210dis	−3.24
Italy	2183-2199½	2183½-2184½	par-4 lire dis	−1.09	4-13dis	−1.55
Norway	11.0737-11.155	11.1145-11.116	3¾-5ore dis	−4.72	12½-13½dis	−4.63
France	10.2626-10.361	10.2745-10.275	3-2½c pm	3.20	7¼-6¼pm	2.69
Sweden	10.4853-10.551	10.5145-10.516	1-par ore pm	0.57	1¼pm-½dis	0.28
Japan	231.70-233.65	232.45-232.55	1½-1y pm	3.10	3½-2¾pm	3.24
Austria	22.34-22.50	22.47-22.50	10⅞-5¾gro pm	3.51	27½-25¼pm	4.86
Switz.	2.5640-2.5900	2.5670-2.5680	1¼-1c pm	5.55	3½-3pm	5.04

Belgian rate is for convertible francs. Financial franc n/a. Six-month forward dollar 2.55-2.60c pm, 12-month 4.65-4.50c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4890-1.5030	1.4990-1.5000	0.50-0.47c pm	3.88	1.29-1.24pm	3.37
Ireland†	1.3950-1.4050	1.4040-1.4050	0.30-0.25c pm	3.22	1.35-0.95pm	3.29
Canada	1.3740-1.3762	1.3762-1.3762	0.20-0.23c dis	−1.88	0.60-0.65dis	−1.82
Nethlnd.	2.3895-2.4075	2.3910-2.3920	0.18-0.15c pm	0.82	0.58-0.53pm	0.92
Belgium	43.70-44.05	43.70-43.80	1-3c dis	−0.55	4-8dis	−0.55
Denmark	7.9470-8.0060	7.9470-7.9480	0.75-1.35ore dis	−1.58	3.80-4.10dis	−1.90
W. Ger.	2.1175-2.1365	2.1190-2.1200	0.37-0.34pf pm	2.00	1.04-0.99pm	1.91
Portugal	147½-148	147½-147¾	90-170c dis	−10.57	280-460dis	−6.75
Spain	135.30-136.70	135.60-136.70	70-100c dis	−7.48	180-250pm	6.32
Italy	1455½-1468	1456-1457	6½-7 lire dis	−6.12	17-19½dis	−4.96
Norway	7.4100-7.4385	7.4120-7.4130	5.10-5.60ore dis	−8.66	14.65-15.05d	−7.98
France	6.8475-6.9020	6.8520-6.8530	0.40-0.50c dis	−0.74	1.25-1.45dis	−0.78
Sweden	7.0100-7.0280	7.0120-7.0130	1.75-2.95ore dis	−4.01	0.30-5.70dis	−3.13
Japan	154.75-156.80	154.95-155.05	0.28-0.23y pm	1.97	0.74-0.69pm	1.84
Austria	14.91-14.99½	14.91-14.93	2½-1½gro pm	1.90	6-4pm	1.34
Switz.	1.7100-1.7255	1.7110-1.7120	0.28-0.23c pm	1.77	0.72-0.67pm	1.61

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc n/a.

EXCHANGE CROSS RATES

July 21	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.500	3.178	232.5	10.28	2.568	3.585	2184.	2.065	65.60
$	0.667	1.	0.119	155.1	6.852	1.712	2.301	1456.	1.377	43.75
DM	0.315	0.472	1.	73.17	3.234	0.808	1.128	687.3	0.650	00.66
YEN	4.301	6.449	13.67	1000.	44.19	11.04	15.42	9394.	8.880	282.2
F Fr.	0.973	1.459	3.092	226.3	10.	2.499	3.489	2126.	2.009	63.84
S Fr.	0.389	0.584	1.238	90.60	4.002	1.	1.396	860.6	0.804	25.55
H Fl.	0.279	0.416	0.886	64.85	2.866	0.716	1.	609.2	0.576	18.50
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	31.78
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

July 21	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 6⅞-7⅛ per cent; three years 7¼-7½ per cent; four years 7½-7¾ per cent; five years 7½-7¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

July 21	Bank of England Index	Morgan Guaranty Change %
Sterling	73.0	−18.0
U.S. dollar	111.9	+0.8
Canadian dollar	78.4	−10.1
Austrian schilling	128.0	+7.5
Belgian franc	95.6	−7.0
Danish Kroner	87.2	−0.5
Deutsche mark	137.1	+16.2
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr	[illegible]	[illegible]	[illegible]
Span'h Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	4	0.05731	1.71679
Greek Drch	20½	164.059	136.839
Irish Punt	—	0.866482(1)	0.71309

* C$/SDR rate for July 18: 1.63657 (1) SDR rate for July 18.

OTHER CURRENCIES

July 21	£	$
Arg'tina	1.3473-1.3491	0.9000-0.9010
Aus'alia	2.3270-2.3310	1.5570-1.5590
Brazil	20.61-20.74	13.77-13.84
Finland	7.5434-7.5559	5.0405-5.0425
Greece	203.66-206.70	136.08-138.34
H'kong	11.6797-11.8905	7.8125-7.8145
Iran	115.90*	77.55*
Kuwait	0.4355-0.4348	0.28888-0.28816
Lux'burg	65.55-65.65	43.70-43.80
Malaysia	3.0650-3.9719	2.6545-2.6575
N'Z'land	2.7585-2.7675	1.8450-1.8500
Saudi Ar.	5.6145-5.6242	3.7520-3.7530
Sin'pore	3.2591-3.2543	2.1615-2.1635
S.Af (Cm)	3.7360-3.7670	0.0105-2.5170
S.Af (Fn)	7.2905-7.6640	4.8780-5.1280
U.A.E.	5.4955-5.5048	3.6725-3.0735

* Selling rate.

STERLING INDEX

	July 21	Previous
8.30 am	72.8	73.8
9.00 am	72.7	73.7
10.00 am	72.7	73.5
11.00 am	72.7	73.5
Noon	72.8	73.3
1.00 pm	72.8	73.3
2.00 pm	72.9	73.3
3.00 pm	73.1	73.2
4.00 pm	73.0	73.2

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	43.8196	+0.33	+0.88	±1.5388
Danish Krone	7.91896	7.95814	+0.49	+1.04	±1.6408
German D-mark	2.13834	2.12416	−0.66	−0.11	±1.1202
French Franc	6.96280	6.86215	−1.45	−0.90	±1.3701
Dutch Guilder	2.40935	2.39542	−0.58	−0.03	±1.5061
Irish Punt	0.712956	0.713083	+0.02	+0.57	±1.6689
Italian Lira	1496.21	1458.49	−2.52	−2.29	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

US bonds firm

US Treasury bond futures were firmer in the London International Financial Futures Exchange yesterday amid growing speculation that US interest rate would fall. Traders were a little aprehensive ahead of today's second quarter GNP figures which are expected to be less than encouraging. Sentiment was reinforced by last week's downgrading of US economic growth to 2¼ per cent from 3 per cent in 1986 by the US Federal Reserve Board.

There was also some concern ahead of tomorow's testimony to Congress by US Federal Reserve chairman Mr Paul Volcker which dealers were hoping mightsignal another cut in the US discount rate, despite a current reluctance by West German and Japanese authorities to cut their rates. Against this background thre was little incentive to push rates too far outside recent ranges.

US Treasury bonds for September delivery opened at 100-02 up from 99-13 and touched a high of 100-06 before fininshing at 99-18.

Sterling based instruments were weaker and attracted selling at the outset, prompted by sterling's initial weakness. Although values recovered from the day's lows, sentiment remained rather bearish. Three-month sterling deposits for September delivery opened at 90.13, still down from 90.17 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	3.40	4.62	—	—	0.39	2.04	—	—
118	2.17	3.52	—	—	1.13	2.58	—	—
120	1.18	2.56	—	—	2.14	3.61	—	—
122	0.41	2.05	—	—	3.37	5.11	—	—
124	0.18	1.30	—	—	5.14	6.36	—	—
126	0.07	1.00	—	—	7.03	8.06	—	—
128	0.02	0.43	—	—	8.62	9.49	—	—
130	0.01	0.28	—	—	10.61	11.34	—	—

Estimated volume total, Calls 602, Puts 544. Previous day's open int. Calls 11,808, Puts 3,988

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	11.38	11.10	—	—	0.00	0.25	—	—
90	0.39	9.35	—	—	0.02	0.44	—	—
92	7.42	7.51	—	—	0.06	1.05	—	—
94	5.52	6.31	—	—	0.18	1.39	—	—
96	4.10	5.12	—	—	0.38	2.20	—	—
98	2.45	4.03	—	—	1.13	3.11	—	—
100	1.44	3.06	—	—	2.08	4.18	—	—
102	0.60	2.20	—	—	3.24	5.28	—	—

Estimated volume total, Calls 112, Puts 85. Previous day's open int. Calls 1,535, Puts 896

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	93.65	93.67	93.63	93.62
Dec	93.65	93.67	93.63	93.62
March	93.49	93.50	93.47	93.45
June	93.24	93.26	93.23	93.21
Sept	—	92.98	92.95	92.93
Dec	92.68	92.68	92.66	92.65
March	92.40	92.41	92.39	92.38
June	92.13	92.16	92.11	92.12

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

MONEY MARKETS

UK long term rates firmer

Long term rates were a little firmer in the London money market yesterday amid a general mood of pessimism. Sterling recovered from a very weak start but was still down on the day and there was no sign of any reduction in West German or Japanese interest rates despite a slightly weaker dollar. One year interbank money finished at 9$\frac{15}{16}$-10$\frac{1}{16}$ per cent up from 9⅞-10 per cent while the three-month rate was unchanged at 9$\frac{15}{16}$-10$\frac{1}{16}$ per cent. Overnight money touched a high of 11 per cent and a low of 3 per cent.

The Bank of England forecast a shortage of around £450m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £975m and bank's balances brought forward £55m below target. These were partly offset by Exchequer transactions which added £245m and a fall in the note circulation of £330m. The Bank gave assistance in the morning of £399m through outright purchases of £5m of eligible bank bills in band 2 at 9$\frac{13}{16}$ per cent and in band 3 £30m of local authority bills and £32m of eligible bank bills all at 9¾ per cent. In band 4 it bought £332m of eligible bank bills at 9$\frac{11}{16}$ per cent.

The shortage was revised to around £500m before taking into account the earlier help and the Bank gave no further assistance in the afternoon. Late help came to £50m, making a total of £449m.

In Frankfurt, the Bundesbank announced its intention to offer a 28-day sale and repurchase facility at a fixed rate of 4.35 per cent. Applications will be made today with successful banks being allocated with the funds tomorrow. This coincides with a maturing agreement of DM 3bn.

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8
Broker loan rate	7½
Fed funds	6½
Fed funds at intervention	0⅛

Treasury Bills & Bonds

One month	5.35
Two month	5.55
Three month	5.89
Six month	6.02
One year	6.14
Two year	6.55
Three year	6.67
Four year	6.81
Five year	0.89
Seven year	7.06
10 year	7.14
30 year	7.18

FT LONDON INTERBANK FIXING

(11.00 a.m. July 21)

Three months US dollars bid	Offer	Six months US dollars bid	Offer
0⅛	6⅛	0⅛	6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

July 21	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	3-11	0$\frac{15}{16}$-10	8⅞-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$
Sterling CDs	—	—	0⅞-10	0⅞-10	9⅞-10	9$\frac{13}{16}$-9$\frac{15}{16}$
Local Authority Depos	0⅛	0⅞	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	—
Local Authority Bonds	—	—	10¼	10¼	10¼	10¼
Discount Mkt Depos	5-10	9¼-9⅞	9¾	—	—	—
Company Depos	8½-10	10⅛	10⅛	10⅛	10⅛	—
Finance House Depos	—	—	9$\frac{15}{16}$	10	10	10
Treasury Bills (Buy)	—	—	9$\frac{11}{16}$	9$\frac{21}{32}$	—	—
Bank Bills (Buy)	—	—	9$\frac{3}{4}$	9$\frac{23}{32}$	9$\frac{5}{8}$	—
Fine Trade Bills (Buy)	—	—	10$\frac{1}{16}$	10$\frac{1}{32}$	10$\frac{1}{16}$	—
Dollar CDs	—	—	6.45-6.50	6.4-6.45	6.4 6.45	6.45-6.50
SDR Linked Depos	—	—	8½-6⅛	6½-6⅛	6⅛-6⅛	6⅛-6⅞
ECU Depos	—	—	7¼-7⅛	7⅛-7⅝	7⅛-7¼	7⅛-7¼

Treasury Bills (sell): one-month 9$\frac{19}{32}$ per cent; three months 9$\frac{21}{32}$ per cent. Bank Bills (sell): one month 9$\frac{23}{32}$ per cent; three months 9$\frac{21}{32}$ per cent. Treasury Bills: Average tender rate at discount 9.5828 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive): 9.624 per cent.

Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 10 per cent, six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from July 18. Deposits held under Series B 10 per cent. Deposits withdrawn for cash 5½ per cent.

MONEY RATES

July 18	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Inv'tn
Frankfurt	4.50-4.60	4.55-4.65	4.55-4.65	4.55-4.65	4.55-4.70	5.5
Paris	7	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	7⅛-1⅛	4⅛-4⅛	—	7¼-7¼	—	—
Amsterdam	8⅛-8⅛	0¼-6⅞	—	5⅛-5⅞	—	—
Tokyo	4.53125	4.65625	—	4.71870	—	—
Milan	11¼	f.l¼-11¾-11¾	—	11¾-18⅛	—	—
Brussels	6 65	7⅛-7⅞	—	7⅛-7¼	—	—
Dublin	9½-9¾	10-10¼	10⅛-10⅛	10¼-10⅛	10¼-10⅛	—

The Directors of EDL
EDWIN DOUGLAS LIMITED
have pleasure in announcing
the appointment of
L. A. (BILL) BRIGHTON
as
Chairman of the Board
Ames House, 6 Duke of York Street

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 21, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102⅛	100⅞	Exch. 14pc 1986	101	–⅛	13.86	9.82
98⅝	94⅞	Exch. 2½pc 1986	98½		2.54	7.03
102¹⅜	100⅝	Exch. 13¼pc 1987	102⅛xd		13.05	9.89
100⅞	97⅛	Treas 10¼pcCv '87	100⅛xd		10.23	9.87
97⅛	92⅜	Exch 2½pc 1987	97⅛xd	–⅛	2.58	6.88
101⅝	97½	Exch. 10½pc 1987	100⅛		10.46	9.85
98⅝	93⅝	Funding 6½pc '85-87‡‡	98⅛	–⅛	6.63	8.99
101⅛	96⅛	Treas. 10pc 1987	100⅛	–⅛	9.99	9.76
97⅛	90⅞	Treas 3pc 1987	96⅛		3.11	7.06
104⅛	99⅞	Treas. 12pc 1987	102⅜	–⅛	11.73	9.90
99⅛	92⅛	Treas 7¼pc 1985-88‡‡	97⅛xd	–⅛	7.92	9.23
104	96⅛	Exch 10½pc '88	101⅛	–⅛	10.38	9.75
102⅞	95⅛	Treas 9¾pc Cv '88	99⅛	–⅛	9.77	9.82
94⅛	86⅝	Transport 3pc '78-88	93	–⅛	3.23	6.90
102½	93⅛	Treas. 9½pc '88	99⅛	–⅛	9.56	9.75
137⅛	98⅛	Treas 11½pc 1989	103⅛xd	–⅛	11.06	9.77
103½	93⅛	Treas 9½pc Cnv '89	99½	–⅛	9.54	9.69
92⅛	82⅛	Treas 3pc 1989	89⅛	–⅛	3.35	7.10
105⅛	95⅛	Treas 10½pc 1989	101⅛	–⅛	10.30	9.72
104⅛	94⅛	Exch 10pc 1989	100⅛xd	–⅛	9.94	9.79
107⅛	97	Exch 11pc 1989	103⅛	–⅛	10.63	9.68
93⅛	84½	Treas 5pc 1986-89	91⅛	–⅛	5.47	8.05
110⅛	94⅝	Exch 10½pcCv '89	105⅛	–⅛	9.73	8.36
114⅛	103⅛	Treas 13pc 1990‡‡	109⅛	–⅛	11.83	9.57
108⅛	97⅛	Exch 11pc 1990‡‡	104⅛xd	–⅛	10.57	9.62
113⅛	101⅛	Exch. 12½pc 1990	108½	–⅛	11.51	9.67
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	[illegible]	7.20

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80	45	♥Colby Res Corp.	45½	–3	—	—	—
300	130	Cons. March. 10c	165xd	.....	Q100c	♦	12.2
34	28	♥Eanes Int. Ir10p	33	+1	—	—	—
102	78	Greenwich Res.	92	.....	—	—	—
157	93	Hampton Areas 10p	146	.....	♦1.0	—	1.0
262	165	♥Highwood Res.	262	+7	—	—	—
£19⅝	£13¾	Homestake Mining $1	£14⅞	+½	Q20c	—	0.9
310	175	♥McFinley Red Lake	298	+3	—	—	—
285	182	♥Musto Explorations	185	+3	—	—	—
£1	39	♥New Sabina Res C$1	37	.....	—	—	—
260	200	Northgate C$1	204	–1	—	—	—
790	513	RTZ	540	–4	22.0	2.8	3.7
£164	£115	Do. 9½pcLn '95-2000	£123	–4	Q9½%	15.5	17.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- N Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	60	....
Craig & Rose £1	£11xd	...
Finlay Pkg. 5p	43½	+½
Holt (Jos) 25p	820	..
IoM Stm. £1	86	.....
IRISH		
Fund 13¾% 1988	£101½	–½
Nat. 9¾% 84/89	£98¾	–¾
Fin. 13% 97/02	£117	–1⅝
Arnotts	330	.....
CPI Hldgs	43	.....
Carrol Inds.	154	–6
Dublin Gas	53	.. ..
Hall (R. & H.)	75	.. ...
Heiton Hldgs	31	.....
Irish Ropes	98xd	..
Unidare	203	....

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LONDON STOCK EXCHANGE

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Slide in share prices continues — Index drops 19.1 more to 1276.3

The malaise in London financial markets continued yesterday. Leading shares again fell sharply, while many secondary stocks, which had come through last week's setback relatively unscathed, recorded double figure losses. There was no respite for *Government securities* either, with falls in this area extending to ½.

The Financial Times Ordinary share index suffered a fresh reaction of 19.7 before settling a shade above the worst at 1276.3 for a loss of 19.1 on the day. The FT-SE 100 share index closed 24.2 down at 1560.2 after having posted a fall of 25.4 at one stage.

Once again, worries about sterling, which came under fresh pressure on currency markets, set the seal on a further reaction. As a result, interest rate sensitive areas of the market such as Stores and Buildings were particularly vulnerable to selling. The announcement of a 3.2 per cent rise in retail sales in June made little impact on the former.

Continuing political worries and growing doubts about the prospects for economic growth in the leading trading countries were also major factors affecting sentiment.

Overall, there were few signs of substantial selling. However, buyers withdrew and any stock which came on offer found the market unwilling. A minor rally around mid-day on bear covering came to nothing, but final quotations were usually a penny or so above the worst, the late tone being given a slight fillip by firmer opening indications from Wall Street.

Government securities followed in the wake of sterling. Compared with last Friday, selling was relatively light, but quotations drifted lower to settle with falls extending to ½ in the longer maturities. The £25-paid tap Treasury 8½ per cent 2007 lost ½ more to 23½. Slightly firmer money market rates were reflected in falls ranging to $\frac{1}{16}$ and occasionally more in the shorts.

Clearers retreat

Investors chose to ignore the major clearers ahead of the forthcoming interim dividend season. Consequently, quotations drifted sharply lower for want of support. *Lloyds*, scheduled to be the first to disclose first-half figures on Friday, closed 12 lower at 406p, after 402p, while **Barclays** lost a similar amount at 506p, after 502p. Midland relinquished 11 at 547p, after 543p, and NatWest gave up 10 at 507p, after 503p. Merchant banks were also friendless. Kleinwort Benson lost 20 at 710p as did Mercury International, at 660p. Schroders dipped 25 at 625p and Hill Samuel retreated 9 at 353p. Morgan Grenfell gave up 12 more at 440p which left the shares 60 below the striking price.

Insurances succumbed to the malaise. Double-figured falls were commonplace with General Accident 12 off at 838p and GRE 17 lower at 895p among Composites. Life issues featured London and Manchester, 18 easier at 178p and Legal and General 13 down at 250p, while Prudential declined 25 at 838p. Lloyds Broker Stewart Wrightson cheapened 8 more to 439p on renewed profit-taking in the absence of bid developments.

The two Unlisted Securities Market newcomers made contrasting debuts. Hughes Food performed well despite the surrounding dullness and closed at 23p compared with a placing price of 20p. Personal Computers, however, settled at 116p, a 5p discount to the placing price of 121p in the absence of support.

Leading Buildings encountered selling as interest rate optimism faded. Quotations moved progressively lower during the "house" session, but manged to stage a minor rally after hours. However, double-figure falls were still apparent with **Tarmac** 14 lower at 460p and **BPB Industries** 10 down at 515p. Costain fell 12 to 538p and **Taylor Woodrow** gave up 11 to 320p, while **George Wimpey** shed 10 to 202p. Recently-firm **AMEC** slipped 4 to 265p, while **John Laing** lost 6 to 466p. **John Mowlem** ran back 10 to 388p, but **Derek Crouch** responded to favourable comment and gained 13 to 178p in a restricted market. **Raine Industries** continued to trade in lively fashion pending the outcome of merger discussions and touched 82½p prior to closing 1½ dearer at 81p.

ICI traded quietly awaiting Thursday's half-year figures and closed virtually unchanged at 986p. Other Chemicals presented a dull appearance. **Laporte** gave up 5 more to 360p, while profit-taking left **Evode** 7 lower at 122p. **Foseco**, a dull market on Friday on bad debt worries, lost 4 more at 234p.

Lower from the outset as interest rate considerations precluded investment interest, leading Retailers staged a modest rally following the better-than-anticipated provisional retail sales figures for June. However, losses still reached double-figures with **Woolworth** 20 cheaper at 810p. **Dixons**, supported last week following the impressive annual results, dipped 8 to 326p, while similar falls were registered by **Burton**, 268p, **W. H. Smith A**, 268p, and **Harris Queensway**, 228p. **Gussies A** closed ½ off at £10; the preliminary results are scheduled for tomorrow. **Tern**, which recently agreed merger terms with **Corton Beach**, closed 9 lower at 45p

Plessey steady

Week-end Press speculation that GEC would shortly receive the green light from the authorities to bid for Plessey and that a knock-out bid of 260p per share would follow helped Plessey resist the dull trend and improve initially to 218p before closing the session unaltered at 216p; GEC softened a couple of pence at 190p. Other Electrical majors gave ground with **British Telecom** 4 lower at 190p, after 188p, and **BICC** 5 down at 273p. **Thorn EMI** relinquished 7 at 447p. Elsewhere, **Arlen** reflected the profits recovery with an early improvement to 92p before reacting to 86p on profit-taking and a close of 88p, unchanged on the session. **CASE** fell 4 to 84p following the disappointing preliminary figures.

Engineerings took a distinct turn for the worse. Sellers held sway throughout the session and double-figured falls were fairly commonplace by the close. **GKN**, 337p, **Hawker**, 521p, and **Vickers**, 418p, all lost 10, while **Glynwed** retreated 16 at 306p and **Laird** relinquished 12 to 253p. **Blackwood Hodge** fell 4½ to 43½p following details of the proposed £12.3m rights issue, while **Bromsgrove** shed 6 to 128p after profit-taking in the wake of the results.

Foods registered widespread falls. Among Retailers, **ASDA-MFI** shed 4 to 142p despite the encouraging annual results. **J. Sainsbury** lost 6 to 374p and **Tesco** fell 12 to 363p. The liquidation of speculative positions left recent takeover favourite **Bejam** 7 down at 175p and **Dee Corporation** gave up the same amount to 230p. **Unigate** came on offer at 282p, down 13, as did **Rowntree Mackintosh**, a similar amount lower at 412p. Secondary issues provided an isolated bright spot in **Cheshire Wholefoods** which rose 7 to 230p in response to the chairman's optimistic annual statement.

Hotels closed lower throughout with **Grand Metropolitan** 10 down at 370p and **Ladbroke** 7 cheaper at 339p.

Boots wanted

In contrast to the depression evident among other miscellaneous industrial leaders, **Boots** emerged as a late firm feature when a flurry of speculative support helped the shares recover from 242p to touch 252p before closing 6 better on balance at 249p. **Reed International**, however, lost 30 to 995p on profit-taking ahead of today's AGM and **Metal Box**, at 735p, lost all of Friday's gain of 13 which greeted news of the group's pensions contribution holiday. **Glaxo** dropped 13 at 950p and **BTR** lost 7 at 298p, while **BOC** closed 5 off at 307p, after 303p. Elsewhere, **Wellcome** reflected adverse comment with a fall of 8 at 180p, while falls of between 12 and 17 were seen in **BET**, 440p, **British Aerospace**, 463p, **Equipu**, 155p, and **Low and Bonar**, 455p. **Pentland** dropped 35 afresh to 410p, while **AE Engineering**, still reflecting the proposed rights issue, lost 2 more at 7½p. **Grovebell** softened 1½ to 8½p following the results, but **The Times Veneer** gained 4½ to 59p behind rumours of a sizeable share stake changing hands. Revived takeover speculation prompted a rise of 12 to 357p in **BHP** and **Consultants** firmed 8 to 100p in anticipation of today's interim figures. **P. Harris** added 15 to 275p on speculative demand in a restricted market.

Publicity given to brokers' bearish circulars prompted renewed selling of **Jaguar**, finally 24 lower at 496p. Other Motors also closed around the day's lowest levels. **Lucas** dipped 15 to 562p, while **Dowty**, anual results expected tomorrow, eased 6 more to 206p. **AE**, currently in receipt of an unwelcome bid from Turner and Newall, fell 7 to 228p. Distributors featured **Lex Service** which shed 13 to 307p; the interim results are due at the end of the month. **AC Cars** finished a couple of pence cheaper at 215p following acquisition news.

An otherwise dull session in Publishers was highlighted by **Home Counties** which advanced 45 to 238p following a bid approach. Elsewhere, advertising agencies gave ground across the board, with losses often extending into double-figures. **Saatchi and Saatchi** dipped 20 to 675p, while **Gold Greenless Trott** fell 13 to 210p, and **Good Relations** closed 10 off at 115p.

Losses in the Property sector were relatively modest. **Land Securities** settled 5 cheaper at 327p and **MEPC** lost 4 at 343p. Elsewhere, profit-taking left recently-firm **Regalian** 25 down at 630p and **Tops Estates** 40 lower at 380p. **Abaco** eased 3 to 73p, but rumoured "shell" situation **Parkdale** found support at 63p, up 4, and **Markheath** edged up a penny to 51p following Press comment. **United Real**, in receipt of a bid approach, gained 20 to 880p, after 900p, on Press suggestions of an offer for the company in excess of 900p per share. Newspaper mention also directed attention towards **Country and New Town** which firmed 4 to 120p. **Stockley**, a firm market on Friday, eased a couple of pence to 87p, while **Daejan** lost 10 to 675p. **Gilbert House** fell 3 to 12p following the poor annual results and dividend omission.

Textiles provided a rare firm feature in **Robert H. Lowe** which attained a new peak of 110p before settling 20 higher on balance at 105p following the sharply increased first-half profits and the return to the interim dividend list. Other counters, however, gave ground throughout. Recent speculative favourites were particularly dull with **Earlys of Witney**, 118p, **Stroud Riley Drummond**, 127p, and **Atkins Bros**, 282p, all substantially lower. **John Crowther** dipped 8 to 160p with its current takeover targets **A. J. Gelfer** and **Sunbeam Wolsey** both a similar amount off at 160p and 120p respectively. Among the leaders, **Courtaulds** fell 7 to 278p in front of today's annual meeting, while **Dawson International** eased 4 more to 260p.

Dealings in **Industrial Finance and Investment** were suspended at 89p ahead of the announcement of acquisition details and a proposed £2m rights issue.

A rather erratic performance by crude oil prices ahead of Monday's Opec meeting in Geneva failed to have much impact on oil shares which moved in a narrow range. **BP** and **Shell** were a shade firmer at 580p and 790p respectively, while **Britoil**, reporting interim results on Friday, eased 2 to 141p. **Tricentrol**, scheduled to announce interim figures on August 14, slipped a few pence to 48p.

Business in secondary oils was minimal. Ireland's **Conroy Petroleum and Natural Resources** dipped 7 to 138p in the absence of any fresh news from its lead/zinc discovery in the Republic, while reports that Petrofina's 20.5 per cent stake in **Berkeley Exploration** is up for sale left the latter unaltered at 40p.

The six-day retreat by South African sectors of mining markets was brought to a halt by the continued firmness of the bullion price. The latter, which touched $355 in New York on Friday evening following the weakness of the dollar, fears over Latin American debts and the situation in South Africa, picked up in London to show a $4.25 rise at $353.75 — its best closing level since March 21.

Dealers marked Gold shares higher at the outset of trading but prices eased around midday as the Financial Rand gave ground on worries about the forthcoming meeting between President P. W. Botha and Sir Geoffrey Howe, the Foreign Secretary. The market was additionally sensitive ahead of the speech on South Africa which President Reagan is expected to make later today. However, interest picked up again during the late afternoon and closing gains were sufficient to lift the Gold Mines index 2.7 to 188.4.

South African Financials and Platinums also made good progress. In the former sector "**Amgold**" moved up almost a full point to £34¼, "**Johnnies**" rose 22 to £51 and **Gencor** edged up 12 to 865p. Platinums showed **Impala** 20 higher at 550p and **Rustenburg** 10 better at 550p.

UK Financials were restrained by the steep falls in domestic equities. **Consolidated Gold Fields** managed a minor improvement at 423p but **Rio Tinto-Zinc** eased 4 to 540p.

Welsh gold explorer **Clogau** touched a year's best of 24p before ending the session a net 1½ up at 23½p amid renewed takeover speculation.

Bullion's good showing encouraged a steady advance by "down-under" golds which posted strong gains in Sydney and Melbourne overnight. **Gold Mines of Kalgoorlie** and **Central Norseman** advanced 10 apiece to 380p and 363p respectively, while **Sons of Gwalia** put on 9 to a 1986 high of 204p and **Whim Creek** 8 to 106p. **North Kalgurli** hardened 2½ to 364p, and **Australian Consolidated Minerals** were a like amount firmer at 102p, the latter following the quarterly progress report. Elsewhere, Press comment prompted good support for **Brunswick** which settled 3½ better at 26p.

Traded Options

Total contracts transacted in Traded Options amounted to 16,984 with business evenly split between calls and puts. Increased enthusiasm was evident for positions in the FT-SE 100 contract which contributed 964 calls and 2,343 puts. Elsewhere, operators' attentions settled on Bats, British Telecom and Hanson Trust, all of which attracted over 1,000 trades.

FINANCIAL TIMES STOCK INDICES

	July 21	July 18	July 17	July 16	July 15	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	88.55	88.88	89.48	89.48	89.00	82.96	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.63	95.92	96.14	96.01	96.35	88.34	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1276.3	1295.4	1316.8	1305.3	1302.5	953.3	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	188.4	185.7	186.3	188.5	190.3	285.2	357.0 (17/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.31	4.25	4.19	4.23	4.24	5.01				
Earnings Yld. % (full)	10.40	10.25	10.10	10.19	10.22	12.51				
P/E Ratio (net) (*)	11.70	11.86	12.05	11.93	11.90	9.76				
Total Bargains (Est)	26,074	23,173	16,575	25,183	27,706	19,358				
Equity Turnover £m.	—	616.78	531.53	500.97	536.50	252.96				
Equity Bargains	—	20,231	22,083	18,308	21,620	14,741				
Shares Traded (ml).	—	304.9	266.4	255.3	220.3	129.5				

S.E. ACTIVITY

Indices	July 18	July 17
Gilt Edged Bargains	137.2	132.9
Equity Bargains	151.6	163.1
Equity Value	1,286.7	1,074.8
5-Day Average		
Gilt Edged Bargains	145.8	149.0
Equity Bargains	137.9	147.8
Equity Value	1,138.6	1,207.4

♥ Opening 1289.3 | 10 a.m. 1285.0 | 11 a.m. 1281.8 | Noon 1276.0 | 1 p.m. 1275.7 | 2 p.m. 1276.4 | 3 p.m. 1276.9 | 4 p.m. 1277.0

Day's High 1289.3. Day's Low 1275.3.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.30.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 34,637

A=Ask B=Bid C=Call P=Put

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
BOC	307	−5	Glaxo	950	−13
BTR	298	−7	GUS A	£10	−½
Beecham	408	−3	Jaguar	496	−24
Boots	175	−7	Sears	117	−3
CASE	84	−4	Smith (W. H.) A	268	−8
Crowther (J.)	160	−8	Storehouse	310	−3

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Fri. close	Day's change	Stock	No. of changes	Fri. close	Day's change
Glaxo	20	963	−30	BTR	13	305	−6
RTZ	18	544	−21	Beecham	13	411	−14
Grand Met.	15	380	−10	Britoil	13	143	−8
Guinness	15	307	−18	Foseco Minsep	13	238	−13
Raine Inds.	14	79½	−7	BP	12	576	−5
BAT Inds.	13	385	−15	Hanson Trust	12	172	−5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same		Rises	Falls	Same
British Funds	0	101	11	Fin. and Props.	46	241	290
Corpns. Dom. and Foreign Bonds	11	31	28	Oils	18	32	68
Industrials	138	727	645	Plantations	2	5	6
				Mines	88	33	65
				Others	48	92	114
				Totals	349	1,262	1,229

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Arthur Lee, Country and New Town, Ifico, Tozer Kemsley and Millbourn, Amstrad, Thorgar Bardex, Britoil, Blacks Leisure, Polly Peck, York and Equity, Parkdale, Pentland Industries, Abaco Investments, British Telecom and Stone International. Puts were taken out in Tricentrol and Audiotronic, while a double options was transacted in Amstrad.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday July 21 1986

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

NEW HIGHS AND LOWS FOR 1986

[illegible]

BASE LENDING RATES

	%		%
ABN Bank	10	Equatorial Tst Corp. plc	10
Allied Irish Bank Ltd	10	Exeter Trust Ltd	10½
Allied Dunbar & Co	10	Financial & Gen. Sec.	10
Allied Irish Bank	10	First Nat. Fin. Corp	11
American Express Bk	10	First Nat. Sec. Ltd	11
Amro Bank	10	● Robert Fleming & Co	10
Henry Ansbacher	10	Robert Fraser & Ptrs	10
Associates Cap Corp	10	Grindlays Bank	‡10
Banco de Bilbao	10	● Guinness Mahon	10
Bank Hapoalim	10	● Hambros Bank	10
Bank Leumi (UK)	10	Heritable & Gen. Trust	10
Bank Credit & Comm	10	● Hill Samuel	§10
Bank of Cyprus	10	C. Hoare & Co	†10
Bank of Ireland	10	Hongkong & Shanghai	10
Bank of India	10	Knowsley & Co. Ltd	10½
Bank of Scotland	10	Lloyds Bank	10
Banque Belge Ltd	10	Kase Westpac Ltd	10
Barclays Bank	10	Meghraj & Sons Ltd	10
Benchmark Trust Ltd	10	Midland Bank	10
Beneficial Trust Ltd	11	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd	10
Cedar Holdings	10	Norwich Gen. Tst	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	10½
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10¾	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	10
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	10½	Whiteaway Laidlaw	10½
		Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

LONDON TRADED OPTIONS

[illegible]

July 21. Total contracts 16,984. Calls 8,854. Puts 8,130

*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

CANADA

TORONTO
Prices at 2.30pm July 21

[illegible]

I—No voting rights or restricted voting rights.

Indices

NEW YORK-DOW JONES

	July 21	July 18	July 17	July 16	July 15	July 14	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	1,777.14*	1,777.98	1,781.78	1,774.18	1,768.70	1,793 45	1909.03 (2/7/86)	1502.29 (22/1/86)	1909.03 (2/7/86)	41.22 (2/7/32)
Transport	720.25*	727.25	725.13	723.83	721.75	740.00	830.84 (31/3/86)	686.97 (9/1/86)	830.84 (31/3/86)	12.32 (8/7/32)
Utilities	202.13*	200.48	200.98	200.92	200.81	204.18	204.15 (14/7/86)	169.47 (22/1/86)	204.15 (14/7/86)	10.5 (8/4/34)
Trading vol	-	149.68	132.39	160.81	183.98m	123.17m	–	–	–	–

	July 11	June 27	June 20	Year Ago (Approx)
Ind Div Yield %	3.72	3.59	3.66	4.58

STANDARD AND POORS

	July 21	July 18	July 17	July 16	July 15	July 14	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	260.83*	261.47	261.10	258.78	258.15	263.48	282.24 (2/7)	224.88 (22/1)	282.24 (2/7/86)	3.62 (30/6/32)
Composite	236.85*	236.36	238.07	235.81	233.66	238.11	252.70 (2/7)	203.49 (22/1)	252.70 (2/7/86)	4.40 (1/6/32)

	July 9	July 2	June 25	Year Ago (Approx)
Ind div yield %	3.80	2.86	2.83	3.72
Ind. P/E Ratio	17.82	18.61	18.32	11.98
Long Gov Bond Yield	–	–	–	10.31

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TORONTO

[illegible]

* Indicates pre-close figure

World indices

	July 21	July 18	July 17	July 15	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1135.4	1130.4	1128.8	1127.0	1247.0 (7/5)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	506.3	501.8	495.8	494.6	602.0 (26/3)	481.1 (26/5)
AUSTRIA						
Creditbk Aktien(30/12/84)	234.75	234.98	235.70	238.11	296.84 (28/4)	229.68 (5/5)
BELGIAN						
Brussels SE (1/1/80)	(c)	3667.36	3664.62	3668.04	3748.68 (7/7)	2786.81 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	207.06	207.70	205.90	200.44	250.75 (18/4)	203.44 (16/7)
FRANCE						
CAC General (31/12/82)	386.7	389.20	388.6	386.6	411.5 (16/6)	267.6 (2/1)
Ind Tendance (31/12/82)	139.1	141.1	141.1	141.0	154.3 (12/5)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	589.12	602.16	598.07	594.32	753.88 (17/4)	589.12 (21/7)
Commerzbank (1/12/53)	1774.8	1810.56	1804.5	1789.7	2278.8 (17/4)	1774.8 (21/7)
HONG KONG						
Hang Seng Bank(31/7/64)	1777.73	1768.60	1758.71	1765.38	1986.85 (7/5)	1559.34 (18/3)
ITALY						
Banca Comm Ital. (1972)	(u)	663.81	671.00	654.37	998.20 (20/5)	454.87 (24/1)
JAPAN**						
Nikkei (16/5/49)	17622.2	17838.84	17725.8	17700.9	17882.8 (15/7)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1396.65	1396.56	1384.18	1376.38	1398.58 (18/7)	1025.85 (21/1)
NETHERLANDS						
ANP-CBS General (1970)	286.4	289.5	288.8	288.5	294.4 (11/7)	240.4 (3/3)
ANP-CBS Indust (1970)	287.6	290.1	289.5	286.8	295.7 (11/7)	254.0 (3/3)
NORWAY						
Oslo SE (4/1/83)	349.40	350.99	349.85	360.12	402.91 (18/1)	345.39 (11/7)
SINGAPORE						
Straits Times (30/12/66)	734.18	745.36	745.50	734.18	776.89 (23/6)	565.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	–	1276.1	1286.8	1276.7	1307.9 (27/1)	1109.1 (21/4)
JSE Indust (28/9/78)	–	1210.8	1211.4	1205.4	1211.4 (17/7)	1016.6 (2/1)
SPAIN						
Madrid SE (30/12/85)	173.20	173.23	171.23	171.18	184.77 (12/5)	100.85 (6/1)
SWEDEN						
Jacobson & P (31/12/56)	2446.51	2451.99	2456.9	2467.27	2518.56 (7/7)	1729.67 (29/1)
SWITZERLAND						
Swiss BankCpn(31/12/58)	520.7	529.7	528.2	527.5	625.5 (9/1)	520.7 (21/7)
WORLD						
M.S. Capital Intl. (1/1/70)	—	323.6	323.2	320.6	301.4 (4/7)	243.8 (23.1)

** Saturday July 19: Japan Nikkei 17,841.3. TSE 1,402.06.

Base value of all indices are 100 except Brussels SE—1,000; JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES		
Boots	249	+ 8
BHP	357	+ 12
Cheshire Wholefds	230	+ 7
Consultants	100	+ 8
Crouch (D)	178	+ 13
Home Countries N	238	+ 45
Lowe (Robt H)	105	+ 20
Sons of Gwalia	204	+ 8
The Times Veneer	59	+ 4½
United Real Prop	880	+ 30
FALLS		
Tr 12¾% 03-05	£123¾	– £¾
ASDA-MFI	142	– 4
Assoc - Brit Eng	7¾	– 2
BTR	298	– 7
Blackwood Hodge	43½	– 4½
CASE	64	– 4
GUS A	£10	– £¾
GKN	337	– 10
Jaguar	490	– 24
Ladbroke	339	– 7
Legal & Gen	250	– 13
Lex Service	307	– 13
Lloyds Bank	406	– 12
Morgan Gren	440	– 12
Reed Intl	995	– 30
Rowntree Mack	412	– 13
Tarn	45	– 9
Unigate	282	– 13
Wellcome	180	– 8
Wimpey (G)	202	– 10

OVER-THE-COUNTER
Nasdaq national market, 2.30pm prices

Continued from Page 37

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Prices at 3pm, July 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13½	AAR s	.44	1.6	19	92	23½	23	23½	+½
30	21¾	ADT	.92	4.2		450	22⅛	22	22	−⅛
33	11½	AFG s			25	385	30⅝	20⅛	20¼	+½
25⅝	13¾	AGS			13	30	17½	17⅜	17⅜	−¼
60⅝	37½	AMR			12	2632	48⅝	47½	48¼	−⅛
27½	23¼	ANR pf 2.87		10.		2	39	26	26	−¼
16⅜	11⅛	ARX	.71t	5.9	11	164	12	11⅞	12	+½
51	28¾	ASA	2a	6.3		312	31⅝	31⅛	31⅝	+⅜
16⅝	10½	AVX			29	162	11⅛	10⅞	10⅞	−⅜
32	22⅞	AZP	2.72	8.6	8	1100	31⅛	31	31	−⅛
50	26⅝	AbtLb s	.24	1.7	23	1894	50⅝	49⅞	50¼	−¼
32	16⅝	AccoWd.56		2.1	16	61	26¾	26½	26¾	
16⅞	10	AcmeC	.40	4.2	114	10¾	d	9⅝	9⅝	−1
0¼	7	AcmeE.32b		3.9	20	214	8¼	8¼	8¼	+¼
20¾	17	AdaEx 1.90e		9.3		63	20⅜	20⅜	20⅜	+⅛
33⅜	19	AdmMl	.40	1.3	14	20	20⅞	30⅝	00⅞	
20⅜	11¼	AdvSys.83t		4.9	18	22	17⅛	17	17	
32⅞	14¼	AMD				3426	14⅞	14¼	14¾	+⅜
12⅝	6¾	Adobe s				13	6¼	6⅞	6⅞	−⅛
16⅜	14⅝	Adob pf 1.24		12.		41	15⅛	15	15⅛	+⅛
20¼	15¼	Adob pf 2.40		14.		53	17¼	17⅛	17¼	−¼
18⅜	7⅝	Advest .12e		.8	13	331	18⅜	16	16	+¼
66¼	42¼	AetnLf 2.64		4.5	11	2512	59⅞	58½	58⅞	−¾
57½	51½	AetL pf4.26e		8.1		3	52⅞	52¾	52¾	
28¾	0⅝	Ahmnsa .40		1.8	6	1516	28¼	25¾	26⅛	+⅛
5¾	2½	Aileen			98	162	4⅞	4⅝	4⅞	+⅜
41⅝	23¾	AirPrd s .80		2.4	13	1317	33½	32⅝	33⅜	+⅞
27¾	16	AirbFrt .60		3.5	15	38	17⅛	17	17⅛	
⅞	⅜	AlMoan .60c				9	7-16	7-16	7-16	+1-
10¼	7⅝	AlaP dpl .87		6.8		15	10	9⅞	9⅞	
100	00	AlaP pf 17		10.		z310	107½	100½	107½	+1
90¾	68¾	AlaP pf 8.28		9.5		z100	87½	87½	87½	−⅜
36⅝	14¼	AlskAir .18		1.1	9	872	15⅛	14½	14⅝	−⅛

Kidder, Peabody Securities
Limited

Market Makers in Euro-Securities

An affiliate of
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Incorporated
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Continued on Page 37

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NYSE COMPOSITE PRICES

Continued from Page 36

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
72¼	45¾	Xerox	3	6.1	11	2390	49⅞	48¾	49	−⅜
58¼	53½	Xerox pf	5.45	9.7		7	56⅛	56	56	
28¾	20⅝	XTRA	.64	2.8		33	22¾	22½	22⅝	−⅛
17⅛	13½	Yorkin n				140	15⅞	15½	15⅝	
39	26¼	ZaleCp	1.32	3.6		33	36¾	36¾	36¾	+⅛
10¼	3½	Zapata	.03j			325	4⅛	4	4	
43⅞	23⅞	Zayre s	.32	.9	22	1195	36¾	35¾	35⅞	−⅞
17	11⅜	Zemex	.40	3.3	12	11	12⅛	12	12	−⅛
29⅞	16¾	ZenithE				349	22¾	22⅝	22⅝	−¼
18¼	5⅝	ZenLb s			16	723	12½	12⅛	12⅜	
22⅝	14¾	Zero s	.29	1.7	16	87	16⅝	16⅝	16⅝	+¼
45¾	33	Zurnin	1.32	3.8	12	118	36	34⅝	35	+½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 21

[illegible]

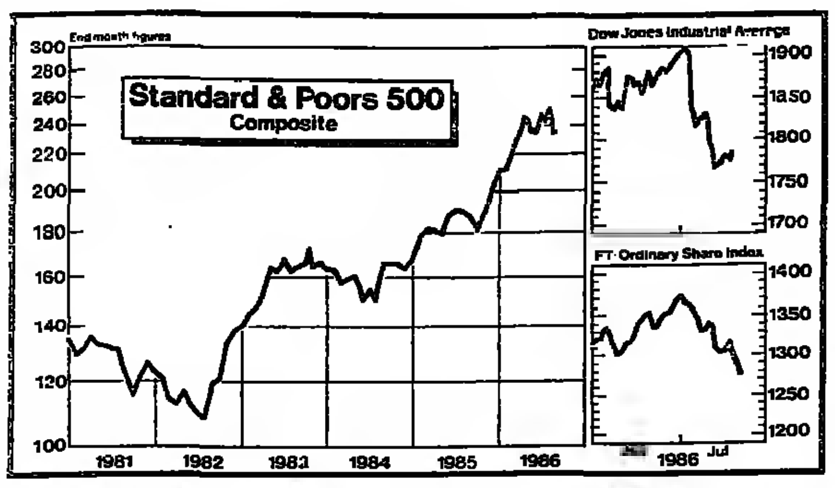
OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS



STOCK MARKET INDICES

	July 21	Previous	Year ago
NEW YORK			
DJ Industrials	1,781.21*	1,777.98	1,359.54
DJ Transport	721.25*	727.25	700.72
DJ Utilities	203.23*	200.48	166.24
S&P Composite	236.18*	236.36	195.13
LONDON			
FT Ord	1,278.3	1,295.4	925.3
FT-SE 100	1,580.2	1,584.4	1,252.5
FT-A All-share	773.58	787.84	599.12
FT-A 500	849.01	862.29	652.03
FT Gold mines	188.4	185.7	385.2
FT-A Long gilt	8.65	9.56	10.21
TOKYO			
Nikkei	17,522.22	17,838.84	12,788.5
Tokyo SE	1,398.63	1,396.58	1,042.05
AUSTRALIA			
All Ord.	1,135.4	1,139.4	920.2
Metals & Mins.	506.3	501.0	525.8
AUSTRIA			
Credit Aktien	234.75	234.98	89.25
BELGIUM			
Belgian SE	closed	3,657.38	2,311.42
CANADA			
Toronto			
Metals & Minls	1,961.6*	(u)	2,026
Composite	2,964.3*	2,962.4	2,804.1
Montreal			
Portfolio	1,482.21*	1,482.32	139.33
DENMARK			
SE	207.05	207.70	209.76
FRANCE			
CAC Gen	366.70	369.20	217.9
Ind. Tendance	139.10	141.1	80.8
WEST GERMANY			
FAZ-Aktien	589.12	602.18	480.57
Commerzbank	1,774.90	1,810.50	1,412.1
HONG KONG			
Hang Seng	1,777.73	1,759.60	1,687.87
ITALY			
Banca Comm.	n/a	683.91	356.38
NETHERLANDS			
ANP-CBS Gen	286.40	289.5	218.2
ANP-CBS Ind	287.60	290.1	186.2
NORWAY			
Oslo SE	349.40	350.99	340.03
SINGAPORE			
Straits Times	734.18	745.35	755.87
SOUTH AFRICA			
JSE Golds	–	1,276.1	967.3
JSE Industrials	–	1,210.8	1,028.4
SPAIN			
Madrid SE	173.20	173.23	81.06
SWEDEN			
J & P	2,443.31	2,451.99	1,330.70
SWITZERLAND			
Swiss Bank Ind	520.70	529.7	459.7
WORLD	July 18	Prev	Year ago
MS Capital Int'l	323.0	323.2	223.2

COMMODITIES

(London)	July 21	Prev
Silver (spot fixing)	336.00p	336.15p
Copper (cash)	£889.00	£742.50
Coffee (September)	£1,827.50	£1,912.50
Oil (Brent blend)	$9.925	$9.825

GOLD (per ounce)

	July 21	Prev
London	$354.25	$349.25
Zurich	$354.25	$347.70
Paris (fixing)	$355.48	$348.29
Luxembourg	$354.10	$347.25
New York (Aug)	$355.60	$356.50

Treasury Index

Maturity (years)	Return index	July 21* Day's change	Yield	Day's change
1–30	154.66	+0.12	7.17	–0.01
1–10	146.93	+0.12	6.94	–0.01
1– 3	137.73	–0.11	6.63	–0.01
3– 5	149.09	+0.14	7.11	–0.01
15–30	182.43	+0.13	7.92	+0.00

Source: Merrill Lynch

CURRENCIES

	US DOLLAR July 21	Previous	STERLING July 21	Previous
(London)				
$	–	–	1.4995	1.5035
DM	2.1195	2.1295	3.1775	3.2025
Yen	155.0	156.35	232.5	235.0
FFr	6.8525	6.895	10.275	10.365
SFr	1.7115	1.724	2.5675	2.5920
Guilder	2.3915	2.4	3.5850	3.6075
Lira	1,456.5	1,464	2,184	2,205.5
BFr	n/a	44.0	65.60	66.15
C$	1.3757	1.3755	2.0647	2.066

INTEREST RATES

	July 21	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	10⅛
SFr	4¹⁵⁄₁₆	5⅛
DM	4⅝	4⅝
FFr	7⅛	7⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6⅝
6-month US$	6⅝	6⅝
US Fed Funds	6⅞*	6⅞
US 3-month CDs	6.10*	6.475
US 3-month T-bills	5.71*	5.88

US BONDS

Treasury

		July 21 Price	Yield	Prev Price	Yield
7¼	1988	100²⁷⁄₃₂	6.537	100²⁵⁄₃₂	6.573
7¼	1993	101³⁄₃₂	7.053	100²⁹⁄₃₂	7.101
7⅜	1996	101¹¹⁄₃₂	7.135	101¹⁄₃₂	7.306
7¼	2016	100²⁹⁄₃₂	7.177	100²⁵⁄₃₂	7.198

Source: Harris Trust Savings Bank

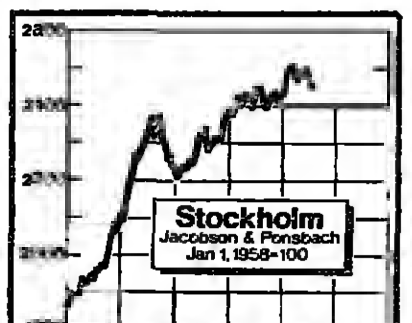
Corporate	July 21 Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	90⅜	6.59	91⅜	6.31
SCBT South Central				
10¾ Jan 1993	106.60	9.23	106.60	9.23
Phibro-Sal				
8 April 1996	99½	8.05	99⅜	8.05
TRW				
8¾ March 1996	103.70	8.13	103.70	8.13
Arco				
9⅞ March 2016	105	9.36	105	9.36
General Motors				
8⅜ April 2016	92⅝	8.92	92⅝	8.90
Citicorp				
9⅜ March 2016	98	9.56	98	9.56

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	99–25	100–04	99–17	99–25
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.55	94.62	94.55	94.55
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.98
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.65	93.66	93.63	93.60
20-year National Gilt £50,000 32nds of 100%				
Sept	119–02	119–11	118–23	119–22

* Latest available figures



WALL STREET
Element of stability surfaces

AN ELEMENT of stability surfaced on Wall Street yesterday as investors mulled over the latest quarterly results and some hastily erected corporate takeover defences, *writes Paul Hannon in New York.*

The bond market remained subdued ahead of the latest Treasury bill auction, today's GNP data and tomorrow's $10bn auction of two-year notes.

At the close the Dow Jones industrial average was up 1.13 at 1,779.11.

Blue chips reflected the quieter tone with IBM trading unchanged at $131⅝ after an early fall of $⅝ in moderate volume. General Motors edged up $⅛ to $74 although American Can lost $2⅛ to $80⅛.

One of the early features was the $27 jump to $93⅞ by Colt Industries in response to the industrial group's recapitalisation plan as part of a takeover defence.

Safeway, the leading supermarket chain, added a further $⅛ to $57⅛, on persistent reports that it was preparing to strengthen its corporate defences against the unwelcome advances of the Dart Group.

The Brussels stock exchange was closed for a local holiday

Among computer issues, Cray Research traded $2⅛ higher to $92⅞ after it released very strong second-quarter figures, while Apple Computer gained $1⅝ to $33⅜ on plans to start a stock buyback of up to 5m shares. Burroughs, meanwhile, added $⅛ to $66 and Sperry, its merger partner, was unchanged at $75⅛.

Panhandle Eastern, the gas pipeline operator, added $⅝ to $44⅞ after revealing a $460m second-quarter charge for settlement agreements with Sonatrach.

Among chemical and pharmaceutical groups reporting quarterly figures were SmithKline Beckman which dropped $3⅛ to $89⅞ on its flat profits. American Cyanamid gave up early strength to trade $⅝ lower at $72⅜ despite its surge in earnings. Bristol-Meyers, which announced lower second-quarter figures shortly after receiving initial approval for a new anti-anxiety drug, retreated $1⅛ to $83⅛.

Monsanto's stronger earnings resulted in an early $⅛ gain to $68⅛, while Schering Plough held steady at $83⅛ on its higher figures.

The banking sector was busy again as Mellon announced lower earnings for the quarter and slipped $⅝ to $63⅞. BankAmerica, which released poor figures last week, recouped some of its losses with a $⅛ gain to $13⅞.

Merrill Lynch traded an early $⅜ higher to $35⅞ on its higher second-quarter results while Marsh & McLennan, which produced a gain of more than 50 per cent in second-quarter profits, jumped $2 to $64⅞.

LTV, the troubled steelmaker that sought Chapter 11 protection last week, continued to trade actively with a $⅛ gain to $2⅞. USX, formerly US Steel, also gained ground with a $⅝ rally to $17⅞, while Bethlehem Steel slipped $⅝ to $10⅞.

Alcan firmed $⅝ to $28⅞ as the aluminium producer staged a second-quarter turnround of $106m profit against a $5m loss.

In the motor industry, Chrysler picked up $⅛ to $35⅝ as Ford held unchanged at $55⅞.

Atlantic Richfield slipped $⅛ to $49⅞ after revealing that it bad enlisted the help of Salomon Brothers for the sale of three biotechnology and agricultural subsidiaries.

Diamond Shamrock retreated $⅛ to $10⅞ on its plans to sell a coal unit for $155m, Deere dipped $⅛ to $23⅞ as it announced a diesel engine joint venture with General Motors, while Cummins Engine, a leading diesel engine manufacturer, dipped $⅝ to $60⅞ on its lower second-quarter figures.

The bond market was quiet ahead of today's GNP data, tomorrow's Treasury auction and further indications of Fed policy. The key long bond, the 7¼ per cent due 2016, was ⅛ higher at 100²⁹⁄₃₂ to yield 7.17, while the 10-year issue, the 7⅜ due 1996, was unchanged at 101¹¹⁄₃₂ to yield 7.13 per cent.

Federal funds opened at 6⅞ and held at that level for most of the session. The Federal Reserve announced a $2bn customer repurchase agreement.

Rates on Treasury bills firmed with three-month issues adding 2 basis points to 5.73 per cent, while the six-month bill was 2 basis points higher at 5.80 per cent.

The rate on the 12-month bill was 1 basis point up at 5.81 per cent.

EUROPE
Tough going for export earners

THE SALE OF export-oriented dollar-earning issues continued apace in Europe yesterday as the US currency fell further.

Frankfurt experienced a sharp sell-off among these issues as the dollar was fixed at a five-year low, causing the Commerzbank index to drop to its lowest reading since December 1985. The indicator lost 35.6 points to 1,774.9, while the FAZ index of 100 leading shares fell 13.04 to 602.18, its lowest for this year.

Car maker Daimler Benz suffered severely from unconfirmed reports that the Kuwaiti Government was selling some of its extensive West German holdings to compensate for falling revenues from lower oil prices.

The luxury car marque plunged DM 54.50 lower to DM 1,110.50, its bottom level for the year, while elsewhere in the sector VW shed DM 18.40 to DM 445.10, BMW gave up DM 17 to DM 550, and Porsche DM 10 to DM 969 – all were at year-lows.

Electricals were also hit, with Brown Boveri off DM 17 at DM 311 and Varta DM 18 lower at DM 301.

The easier dollar rekindled hopes of a cut in the West German discount rate and bonds rose on that optimism, adding 10 to 20 basis points.

The Bundesbank sold DM 100.8m worth of paper after selling DM 20.6m on Friday.

Milan managed a higher move, with sentiment slightly dampened by the continuing governmental crisis.

SME, the state-controlled food group, dropped L240 to L2,300 after a court in Rome blocked the previously agreed takeover by Mr Carlo De Benedetti's Buitoni food company, which firmed L40 to L7,160.

Zurich turned lower as institutional investors elected to remain on the sidelines and small investors sold light amounts of stock.

All sectors saw some weakness. Ciba-Geigy shed SFr 100 to SFr 3,100, Zurich Insurance SFr 125 to SFr 7,075, surveillance SFr 45 to SFr 7,275 and Jacobs Suchard SFr 50 to SFr 6,000.

Despite a flat performance in Zurich during the first six months of 1986, total turnover rose 42.5 per cent to total SFr 299.6bn.

Bonds were steady.

Stockholm dropped on traditional summer lethargy and prices were lower across the board.

Volvo gave up SKr 7 to SKr 378, Asea, the power engineering group, shed SKr 2 to SKr 369 and Ericsson lost SKr 3 to SKr 228.

Oslo was helped lower by a NKr 4 drop to NKr 148.50 in Norsk Hydro ahead of six-month figures on Thursday that are expected to be lower. Because of Hydro's weight in oil-related stocks, this pulled the oil index down 4.09 to 201.82.

Paris was down on thin trading as some operators began settling their accounts before the end of the month on Wednesday.

Among export-oriented issues, Peugeot dropped FFr 12 to FFr 949 and Avions Dassault FFr 13 to FFr 1,266, while champagne to cognac group Moët-Hennessy put on FFr 20 to FFr 2,230.

Amsterdam trading was featureless but eased on the weaker dollar in a thin summer market.

Internationals were led lower by Unilever, off Fl 5.50 at Fl 488.50 and Hoogovens down Fl 2 at Fl 106.50.

Bonds were mixed in choppy trade with a range of between 10 basis points higher and 30 basis points lower.

Madrid was easier despite a rise among banks, construction and food issues.

LONDON
Sharp fall as malaise continues

THE MALAISE in London financial markets continued yesterday. Leading shares again fell sharply, while many secondary stocks, which had come through last week's setback relatively unscathed, recorded double figure losses.

There was no respite for Government securities either, with falls in this area extending to ¾.

The Financial Times ordinary index suffered a fresh reaction of 19.7 before settling a shade above the worst at 1278.3 for a loss of 19.1 on the day. The FT-SE 100 share index closed 24.2 down at 1580.2 after having posted a fall of 25.4 at one stage.

Once again, worries about sterling, which came under fresh pressure on currency markets, set the seal on a further reaction.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33.

HONG KONG

EXPECTATIONS that the sharp reverse suffered in Tokyo could prompt fund managers to switch investments, underpinned a strong Hong Kong performance.

Chart indications that the market is ready to climb, after several weeks of trading within a narrow range, also buoyed the mood. The Hang Seng index rose 18.13 to 1,777.73.

Property shares found strong domestic and overseas demand. Cheung Kong rose 50 cents to HK$20.90 and New World 15 cents to HK$6.20.

Hongkong Wharf which reports fiscal year results on Friday put on 10 cents to HK$7.30. The price was also helped by the announcement that the company is to develop a tram depot site.

SINGAPORE

A BOUT of nerves as market attention centred on the national and state elections called for August 2 and 3, left Singapore lower.

The Straits Times industrial index fell 9.44 to 734.18, with much of the selling coming from private domestic investors.

Among actively traded issues, Promet shed 4 cents to 47½ cents.

Elsewhere, OCBC dipped 15 cents to S$7.05 and Genting 10 cents to S$4.18. Eight cent losses were posted by Singapore Land to S$3.60, Far East Levingston to S$2.98, National Iron to S$3.78 and Malayan Banking to S$3.68.

The financially troubled Hong Fok which announced it was negotiating with bankers to reschedule its loans, fell 14 cents to 45 cents.

AUSTRALIA

HIGHER international bullion prices and speculation about a BHP takeover bid for Elders IXL spurred Sydney higher. The All Ordinaries index rose 5 to 1,135.4.

BHP which said on Friday that it controlled 84m Elders' shares, climbed 18 cents to A$8.38 and Elders put on 4 cents to A$5.

Mining stocks were also firmer in response to a US$7 an ounce rise in bullion prices. Among gold mines, Gold Mines of Kalgoorlie rose 30 cents to A$9, Central Norseman 24 cents to A$8.50, Renison 24 cents to A$6.10 and Kidston 18 cents to A$6.18.

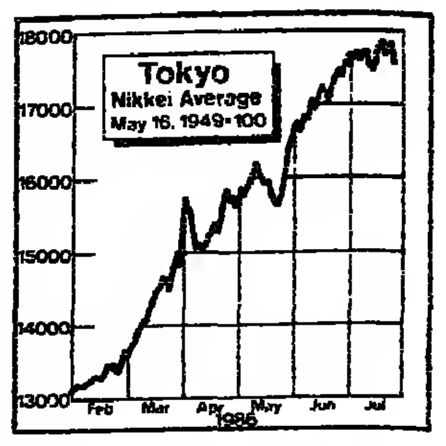
Oil stocks, however, were weaker with 5 cent falls taking AOG to A$1.50 and Genoa to A$1.35.

SOUTH AFRICA

GOLD SHARES advanced into record territory in Johannesburg with the latest rise in prices resulting from the firmer world bullion price and a weak financial rand.

The stock exchange's All Gold index reached a peak of 1,325.4 – up 49.3 on the day – and compared with the previous high of 1,314.3 established on January 27.

Lower priced gold stocks which are particularly sensitive to bullion price movements also showed broad advances. Beatrix rose 55 cents to R9.05.



TOKYO
Overheating fears prompt steep drop

THE YEN'S surge to a new high and investor concern over high share price levels jarred the market yesterday, with the Nikkei market average suffering its biggest loss ever at one stage, *writes Shigeo Nishiwaki of Jiji Press.*

Another discouraging factor was increased small-lot selling by investment trust companies.

The Nikkei average posted the steepest fall on record of 563 points in the afternoon session, eclipsing the previous record drop of 345 points on April 16 last year. But it later recouped ground and finished at 17,522.22, the third biggest daily loss of 319.09.

Volume decreased substantially from Friday's 1.2bn shares to 655m. Losses outnumbered gains by 732 to 151 with 83 issues unchanged.

The market began steadily in a continuation of the firm undertone at the end of last week, but small-lot selling by investment trusts and individuals took off as the yen surged to an all-time high of Y154.85 to the dollar at one stage on the Tokyo foreign exchange market.

Later reports that the Government and the Bank of Japan had expressed grave concern over speculative moves on the currency market, caused blue chips to rise sharply on small-lot buying.

Electric powers were sought in early trading but came under heavy profit-taking pressure later. Tokyo Electric Power, after jumping Y110 to a record high of Y4,990 at one stage, turned lower to end the day at Y4,810, down Y70.

City banks also fared well, being considered relatively cheap compared with non-life insurances and securities houses. Sumitomo Bank finished Y50 higher at Y1,950 after registering a gain of Y210. Fuji Bank advanced Y60 to Y1,560 and Mitsubishi Bank Y40 to Y1,510.

As the yen turned easier, blue chips, notably electricals, rebounded sharply. Hitachi, which fell Y10 at one stage, closed Y20 higher at Y780. NEC added Y50 to Y1,220, Toyota Motor Y40 to Y1,300 and JVC Y170 to Y2,440.

Large-capital stocks fell almost across the board. Nippon Steel, the most active stock with 36.75m shares changing hands, dropped Y10 to Y187.

The bond market was also affected by the yen's movements. In early trading inter-broker trading became very active as the yen's accelerating rise against the dollar generated expectations of concerted discount rate cuts by Japan and the US.

As the Japanese currency turned weaker in response to the Bank of Japan's dollar-buying market intervention, selling increased gradually.

The yield on the benchmark 6.2 per cent government bonds, maturing in July 1995, which fell to 4.660 per cent at one stage, pulled back to 4.665 per cent compared with last Saturday's 4.695 per cent.

CANADA

A MIXED mood emerged in Toronto after prices had recouped some modest early losses.

Laidlaw was an active issue, trading C$1 ahead at C$22¼ after it agreed to acquire Genstar's waste services unit, GSX Corp, for C$513m.

Nova Alberta was 5 cents lower at C$4.80 as it cut its natural gas transmission charges after reducing capital costs and arranging favourable refinancing for some long-term debt.